RONG VIET SECURITIES

POWER INDUSTRY

AWAITING THE NEXT SCHEME

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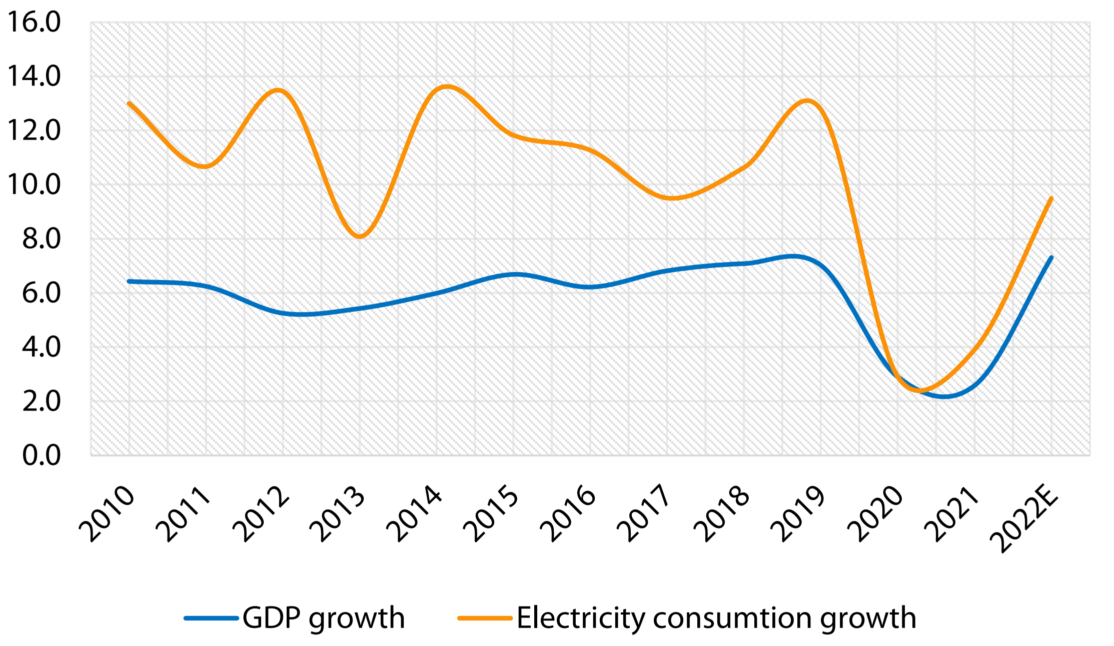
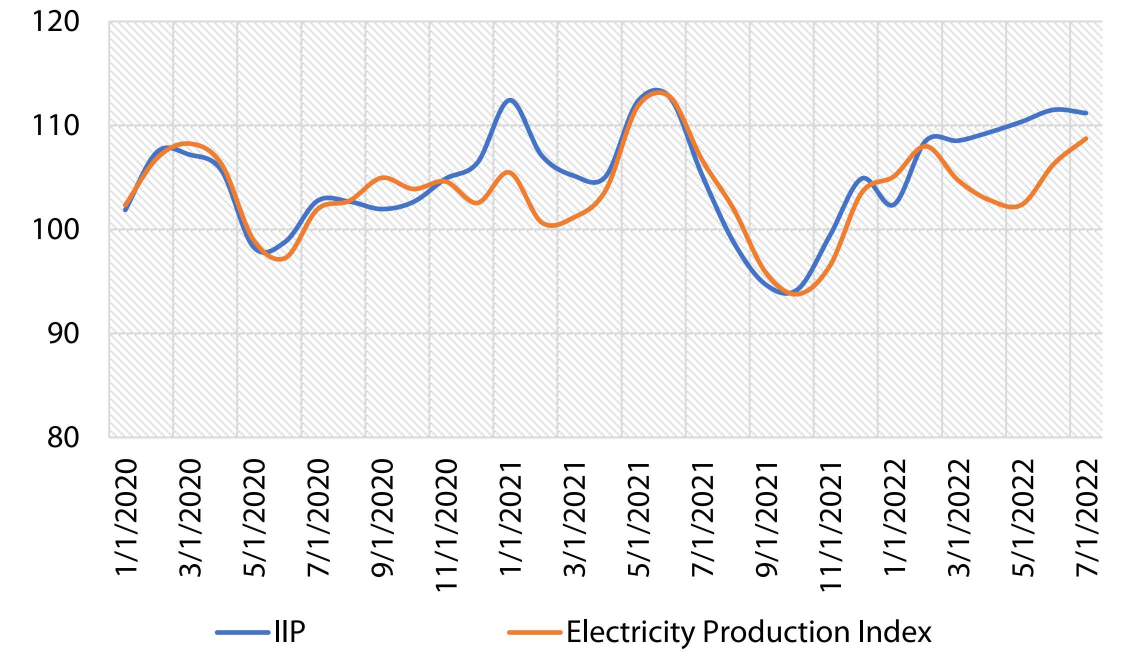
OVERVIEW: GROWTH OF 4% YoY IN 1H2022

Figure 1: GDP growth and electricity consumption (%)



Source: EVN, Rong Viet Securities

Figure 2: Industrial production (IIP), electricity production indices



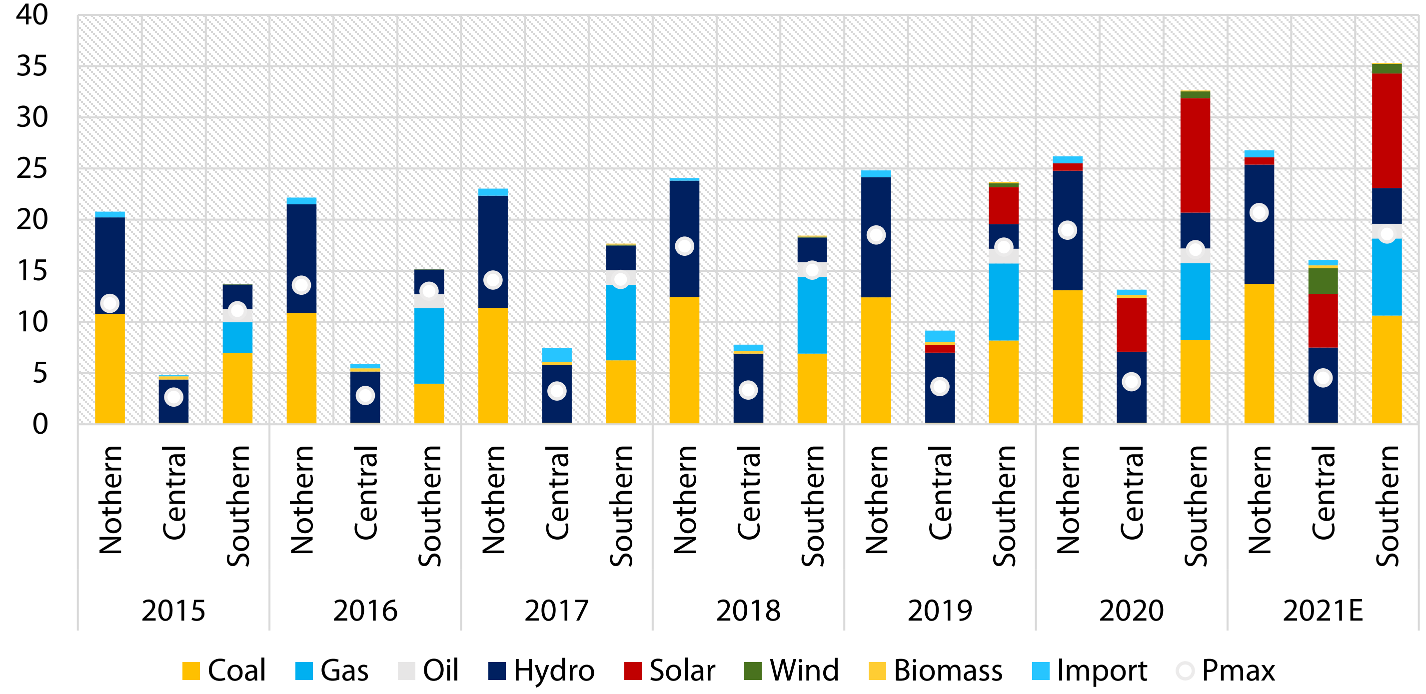
Source: GSO, Rong Viet Securities

Electricity consumption recovery as a key driver for electricity plants in 2022

- According to MoiT, capacity expansion did not meet demand growth. Currently, the reserve capacity in the North is relatively lower than in previous years while demand is gradually growing. Adversely, there is a strong interest from renewable energy farms looking forward to serve the South as demand recovers in 2022. That will ease curtailment risk for green farms and help thermal plants in the South.
- For the first six months of 2022, power consumption rose by 4% YoY as the minimal recovery in the early months and consumption structure has changed. We foresee consumption growth to be higher in 2H202 due to the low base in 2021.

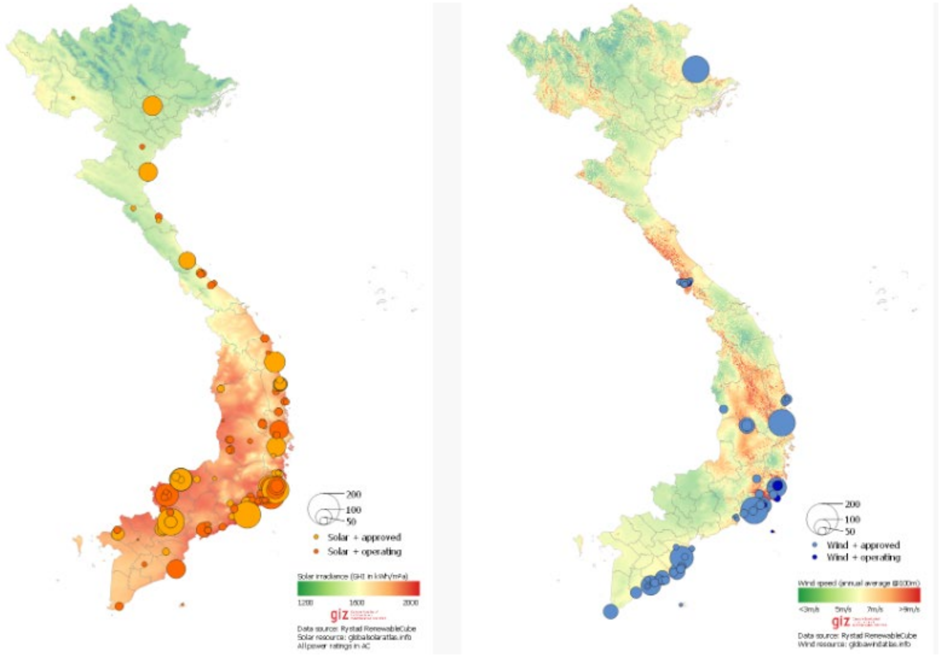
OVERVIEW: CAPACITY CONTINUES EXPANDING

Figure 3: Capacity and Pmax (GW)



Source: EVN, Rong Viet Securities

Figure 4: Capacity and Pmax (GW)



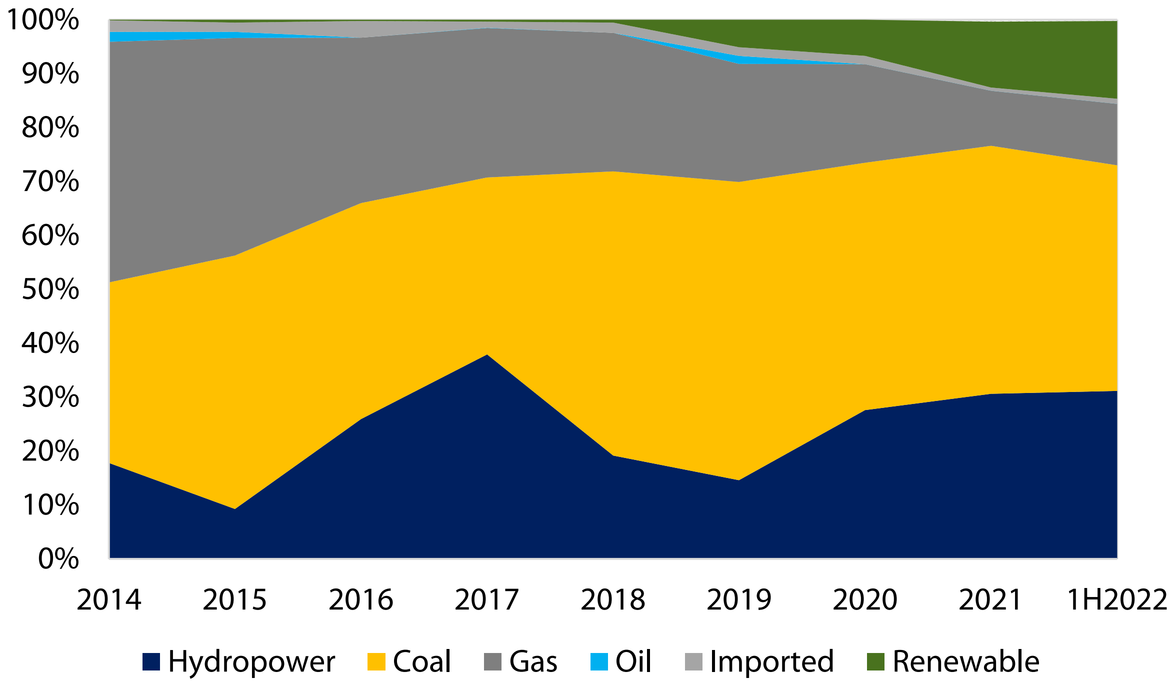
Source: MoiT, Rong Viet Securities; Solar (orange) and wind (blue) power plants in VN

Renewable energy mostly installed in the Central and South while the North was attributed by conventional sources

- Renewable energy has boomed since 2019 thru solar power, 14% and 26% YoY growth at the end of 2019 and 2020, respectively. During 2021, wind power plants contributed roughly 3299 MW while conventional sources contributed more than 3,000 MW to the national electricity system, +9% YoY. Renewable energy plants were mostly concentrated in the Central and the Southern of the country while on the Northern side, coal thermal plants and hydropower plants are the major suppliers.
- The limited supply in the North might bear a risk of electricity shortage in the next El Nino phase. We estimate that only 2400 MW/ 840 MW of thermal and hydropower plants to be installed in the period of 2022-2024 in the North while demand rises roughly 10%.

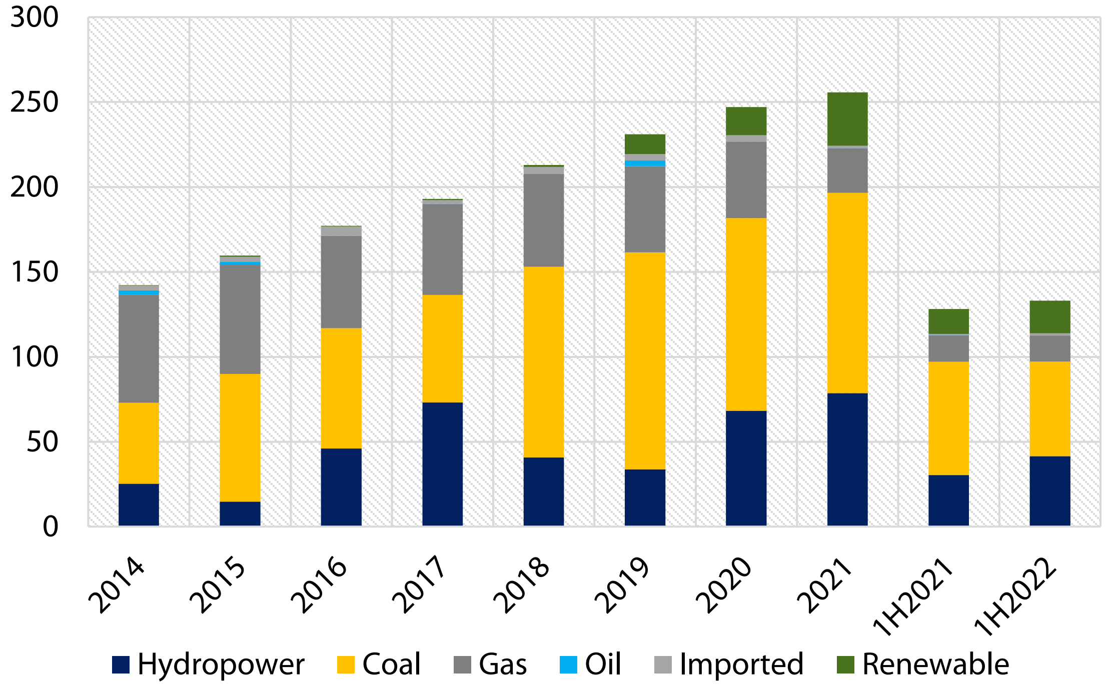
RENEWABLES EXPAND

Figure 5: National electricity structure (%)



Source: Rong Viet securities

Figure 6: Electricity volume by group (bn kWh)



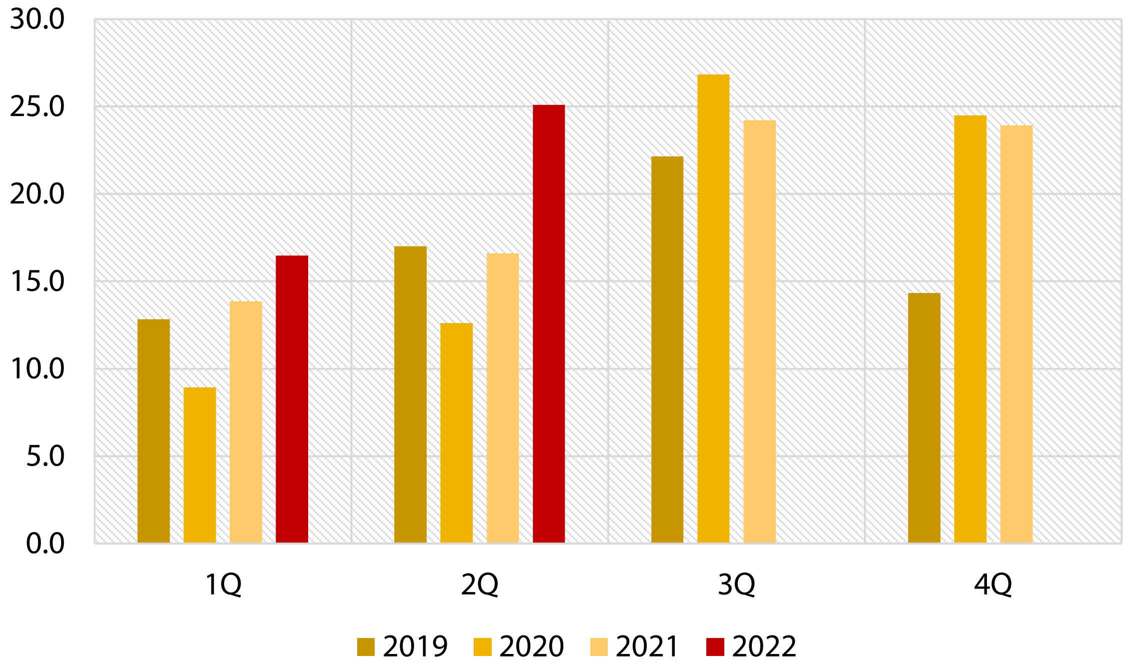
Source: Rong Viet securities

Renewable entered the national power system. Solar and wind power massively entered the national power system since 2019 and have gradually expanded their share. However, this group accounts for a small portion of the national power system.

Coal, thermal and hydropower plants still are the main contributor to the national power system and directly compete with each other as represented by Figure 5. In 2021 and 2022, hydropower power has performed well during the La Nina phase. Thermal plants are forecast to have a higher utilization rate in the next El Nino phase.

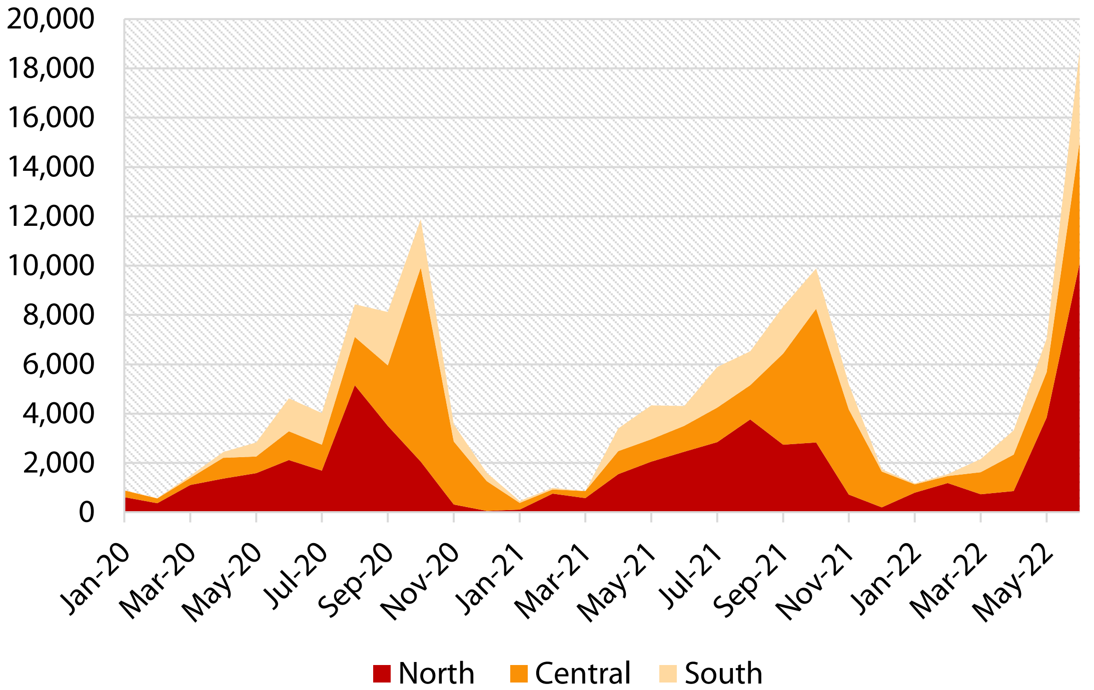
HEAVY RAIN IN 1H2022 BOOSTED HYDROPOWER VOLUME

Figure 7: Hydropower volume by quarter (bn kWh)



Source: Rong Viet securities

Figure 8: Rainfall (mm)

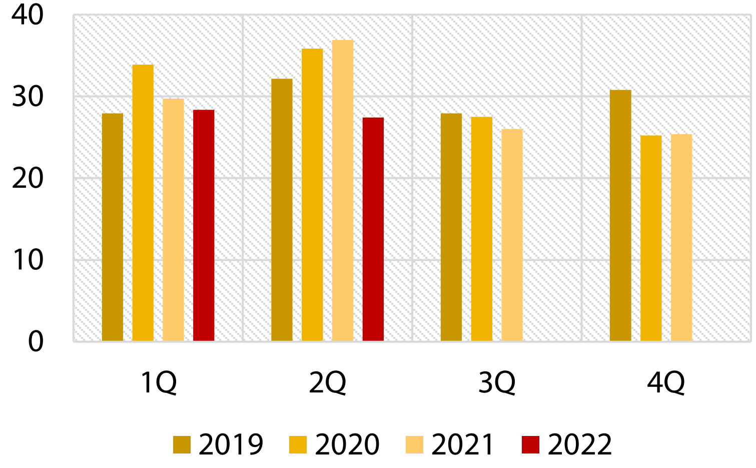


Source: Rong Viet securities, we choose several stations to sum rainfall

Rainy season has come sooner-than-expected

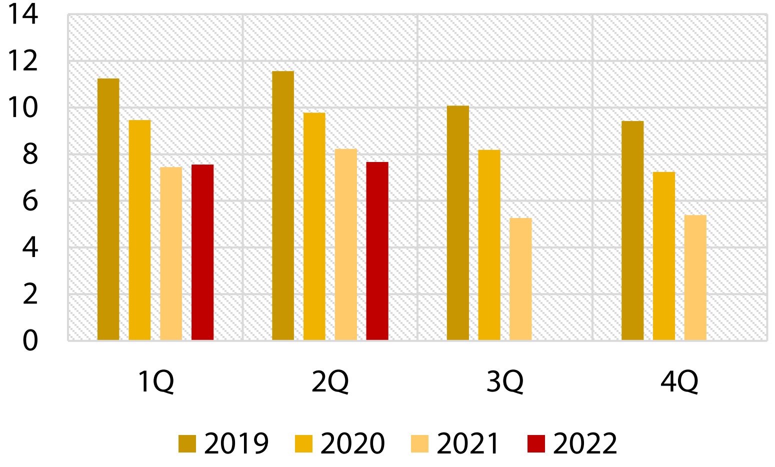
- Rainfall reached a significantly high in 2Q2022 bringing plenty of water to hydropower plants. As a result, the hydropower group outperformed during 1H2022. Volume jumped by 19% YoY and 51% YoY in 1Q and 2Q to 16.5 and 25.1 bn kWh.
- According to NOAA, La Nina continues to prevail during 2H2022, hence we foresee that hydropower plants will continue to do well up to the end of this year. In terms of results, small-scale hydropower plants are forecast to grow in 2H2022 while the large ones will accumulate substantial water to produce in 1H2023.

Figure 9: Coal-burning power volume (bn kWh)



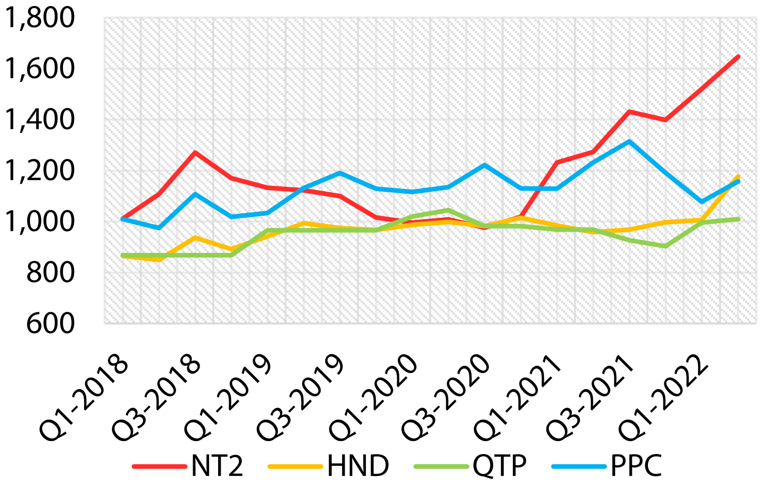
Source: Rong Viet securities

Figure 10: Gas-turbine power volume (bn kWh)



Source: Rong Viet securities

Figure 11: Material price per kWh (VND)

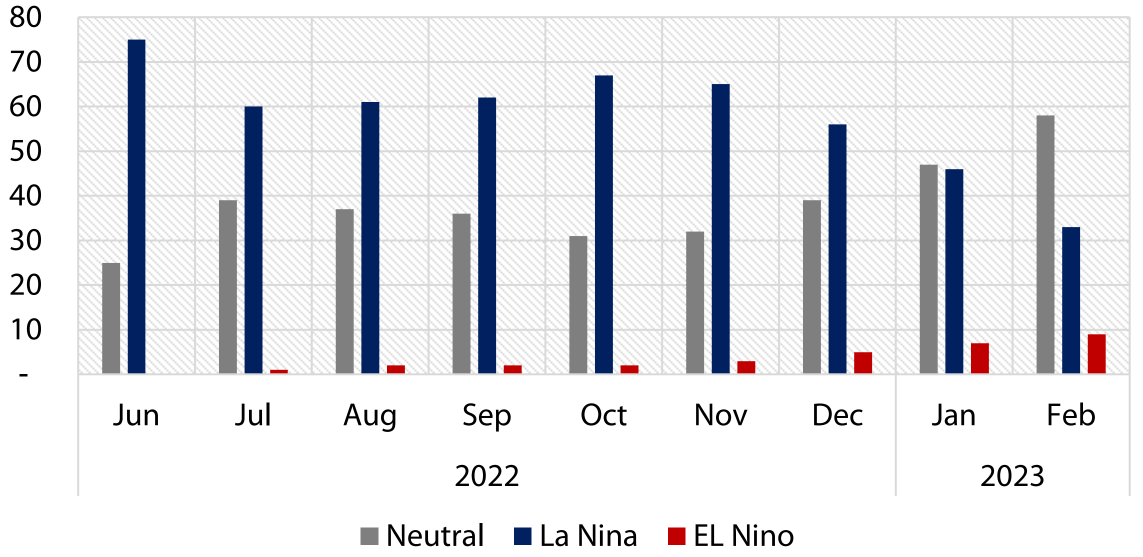


Source: Rong Viet securities

The coal group has been mobilized while gas lost its competitive edge in CGM due to a price surge

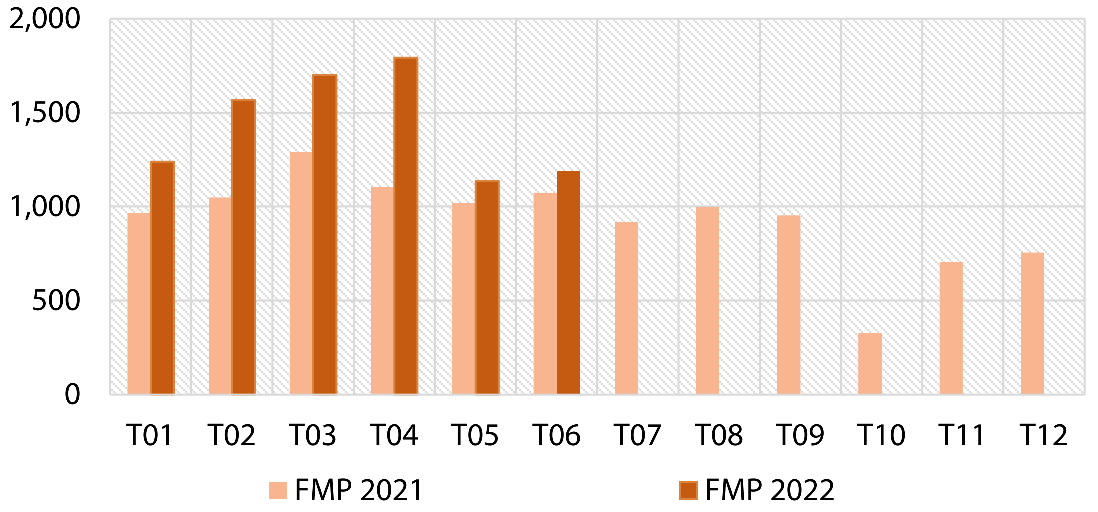
- As represented by Figure 9 and 10, volume in the thermal sector from 2019 – the last peak El Nino phase to 2022, coal thermal plants has been mobilized at around 118 bn kWh per annum (Figure 9). Meanwhile, the gas thermal group not only lost its portion in the national power system (Figure 5) but also in absolute number (Figure 10). Gas-fired volume declined by 18%/24% YoY in 2020/2021 due to the gas price surge.
- However, the input price for the coal thermal group started to rise since May 2022 followed by coal imports, resulting in a surge in the material price of HND, PPC and QTP (Figure 11). As a result, material gap between those groups has shrunk and that will likely ease pressure for the gas-fired group.

Figure 12: Hydrology forecast (%)



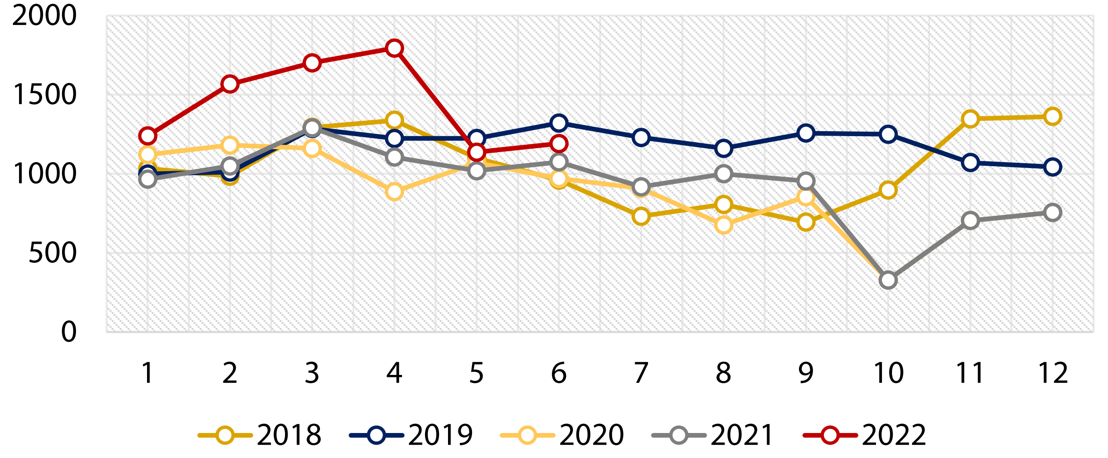
Source: NOAA, Rong Viet Securities

Figure 13: Full market price (FMP) in 2021 and 2022 (VND)



Source: EVN, Rong Viet Securities

Figure 14: Full market price (VND)

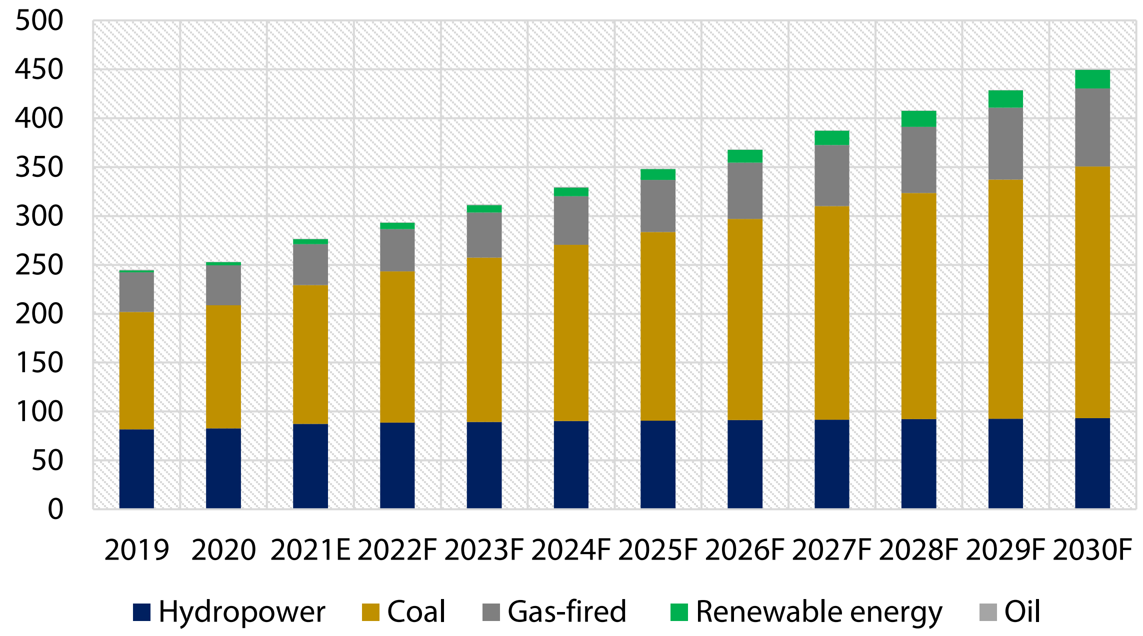


Source: EVN, Rong Viet Securities

Price in competitive market stands at a high level even higher than that in the last draught-year levels (2019)

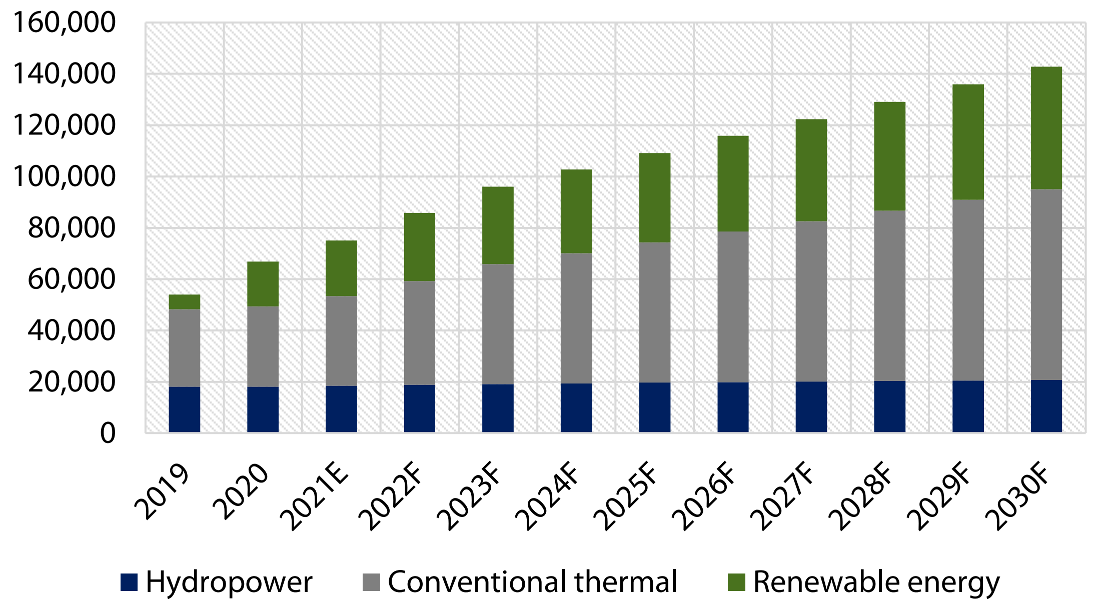
- In the short run, the selling price in CGM might stand at a high level due to the input price surge. We foresee that in the next El Nino phase, in case coal and gas do not cool down, CGM price might come to a new high.

Figure 15: Target volume by group (TWh)



Source: EVN, BMI, Rong Viet Securities

Figure 16: Target capacity by group under draft PDP VIII (MW)

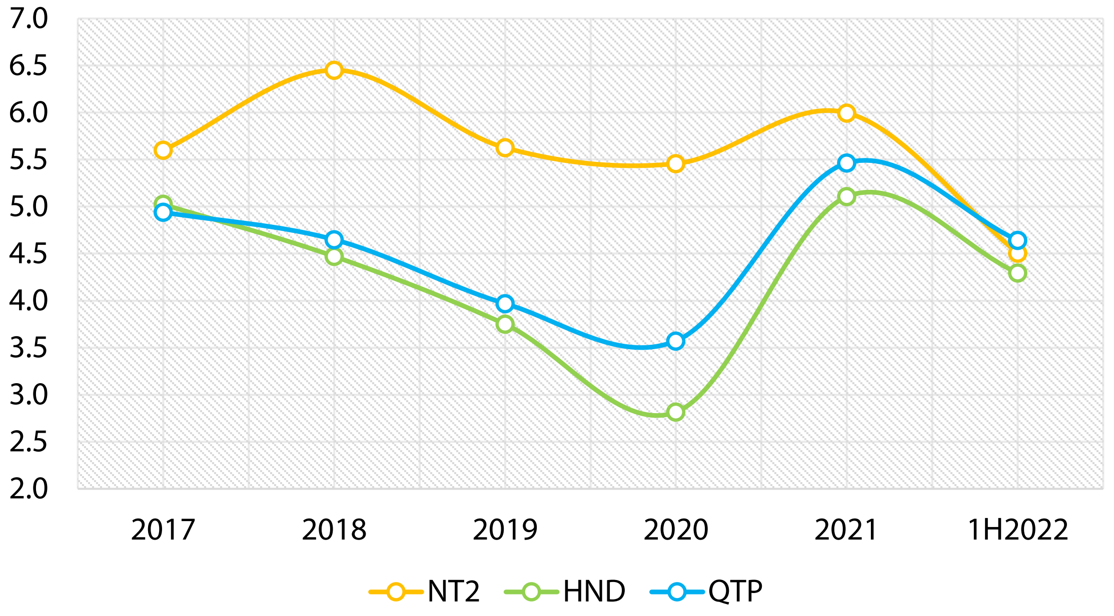


Source: EVN, BMI, Rong Viet Securities

Green and LNG power to have a substantial growth in the long run

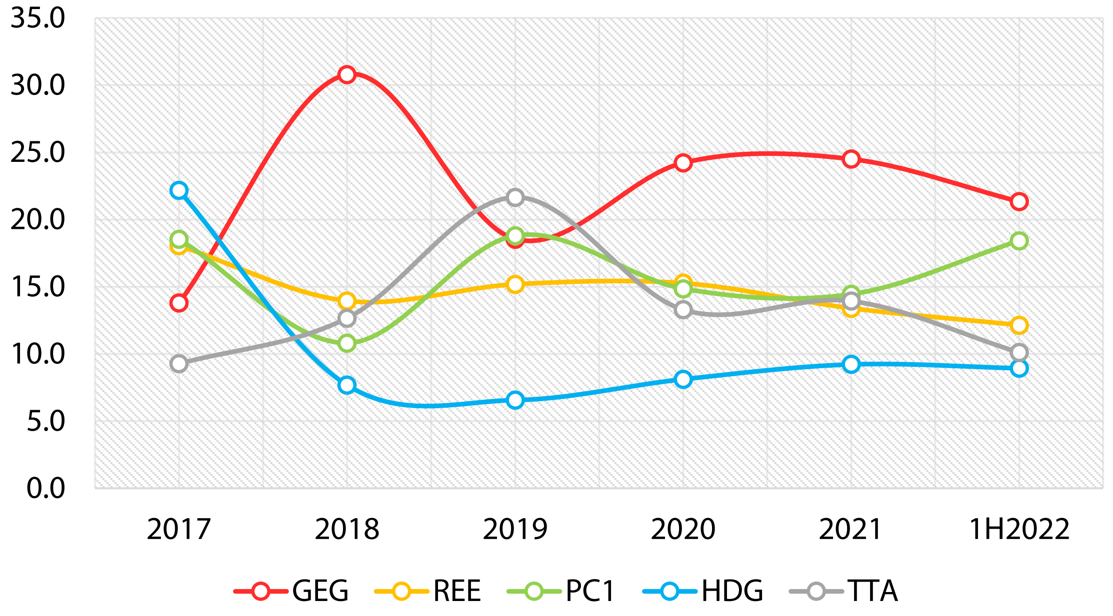
- In the longer term, the government will pave the way to exploit the potential for wind power, especially offshore wind power farms. Companies that have strong cash flow, land bank or projects in their pipelines will likely be able to add more projects and trigger higher earnings including REE, GEG, PC1.
- Furthermore, LNG also is another government's orientation in the long run. Companies that are developing LNG projects, will also be attractive, including POW.

Figure 9: EV/EBITDA defensive group



Source: Finn, Rong Viet Securities

Figure 10: PE ratios of growth group



Source: Finn, Rong Viet Securities

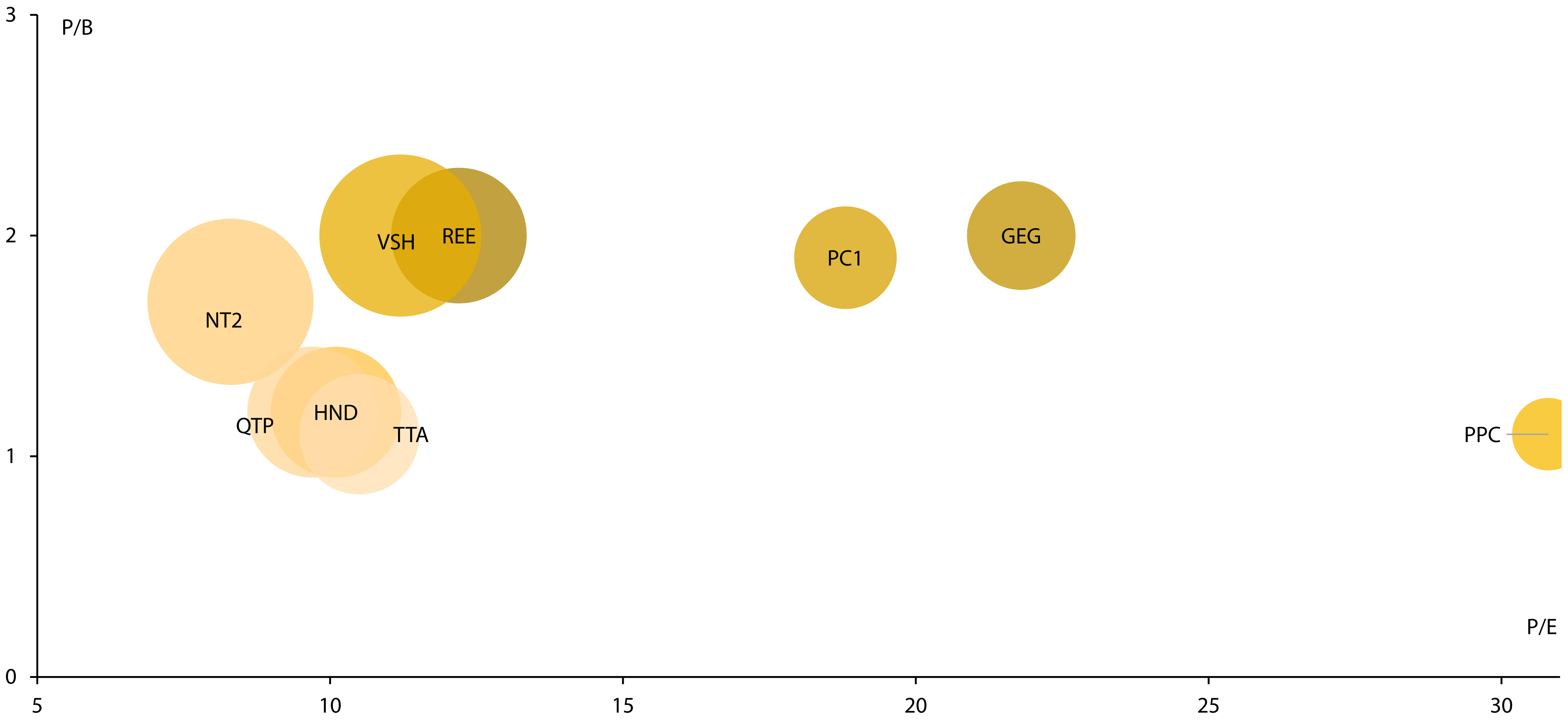
- **Defensive group:** EV/EBITDA of defensive group (most earnings are paid to shareholders) have come to reasonable valuations. Investors can accumulate those stock to receive dividends and waits to an El Nino phase. HND and QTP are companies that will enjoy high mobilization in the North while NT2 is forecasted to pay substantial cash dividends.
- **Growth group:** Most growth stocks in the power segment will use earnings to invest and expand capacity in the coming years. We foresee that GEG, REE, PC1 are beneficiaries in the medium term.

INDUSTRY COMPARABLE (TTM)

Ticker	Market cap (VND bn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
REE	28,645	90,700	18%	88%	55%	39%	30%	33%	7%	18%	1%	12.2	2.0
PC1	9,124	43,800	-4%	62%	20%	14%	-31%	6%	3%	11%	0%	18.7	1.9
VSH	9,036	-	155%	171%	81%	56%	90%	34%	8%	20%	0%	11.1	2.0
HND	8,150	23,000	13%	-28%	0%	0%	-3%	0%	0%	0%	5%	17.9	1.3
NT2	7,658	29,200	32%	42%	22%	13%	173%	12%	12%	21%	11%	8.5	1.7
QTP	7,380	-	1%	1%	9%	0%	4%	-13%	-6%	N/A	5%	12.8	1.2
GEG	7,179	24,700	21%	38%	77%	46%	25%	18%	3%	9%	2%	22.9	2.0
PPC	5,659	22,500	-31%	N/A	-1%	-3%	-88%	3%	2%	2%	3%	50.2	1.1
TTA	1,968	-	15%	15%	85%	57%	16%	25%	4%	9%	0%	15.6	1.1

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.

PE, PB & ROE (TTM)

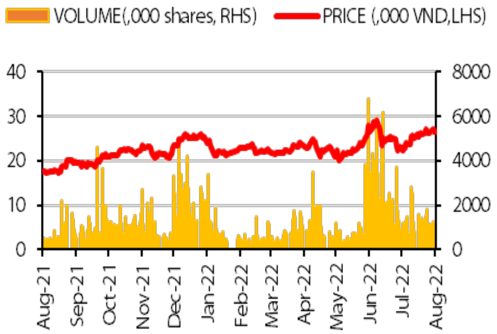


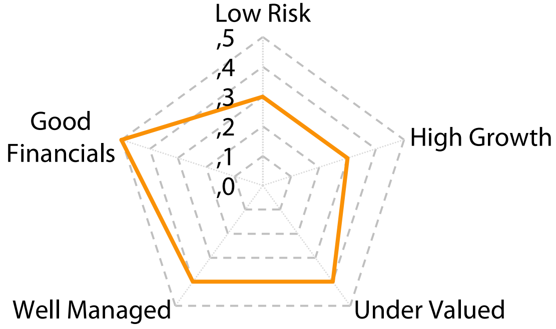
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

EYES ON POTENTIAL CASH DIVIDEND

HSX: NT2

ACCUMULATE: +18% **MP: 26,000** **TP: 29,200**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	327
Current Shares O/S (mn shares)	288
3M Avg. Volume (K)	1797
3M Avg. Trading Value ($ mn)	46
Remaining foreign room (%)	34.4
52-week range ('000 VND)	29.6 - 18.8

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	6,150	7,941	8,939
NPATMI VND bn)	534	827	923
ROA (%)	8.1	12.2	12.5
ROE (%)	12.6	17.9	18.2
EPS (VND)	1,778	2,800	3,125
Book Value (VND)	14,706	16,007	17,632
Cash dividend (VND)	2,000	1,500	1,500
P/E (x)	13.5	9.3	8.3
P/B (x)	1.8	1.6	1.5

INVESTMENT RATIONALE

Eyes on potential cash dividends. Prosperous cash flow post debt payment obligation, the company will capitalize on those cash flow to pay cash dividends to shareholders. We forecast FCFE to be higher than its EPS, and EPS to hover around VND 3,000.

Core earnings will grow regardless of La Nina owing to several favorable conditions in 2022

- The company resumed its operation from the trough in 2021. NT2 hit the all-time low level of profit in 2021 as the company confronted with many obstacles from inside out. A growth of 8% in contracted volume that will widen the company's profit margin from 2022 and onwards. In line with the growth trend in electricity demand, NT2 is expected to have a higher utilization rate in coming years.
- Furthermore, input price of coal thermal plants start to rise significantly from 2Q2022 that ease pressure for gas thermal plants to compete in competitive generated market.

FX revert revenue is going to cushion the business results in 2022F-23F. NT2 is subject to a potential financial revenue from FX reversal of roughly VND 400 bn (or USD 17.4 mn), which is a FX compensation for the period of 2016 to 2020 based on Circular 56. We expect that the company will record half of it this year and the remaining in 2023.

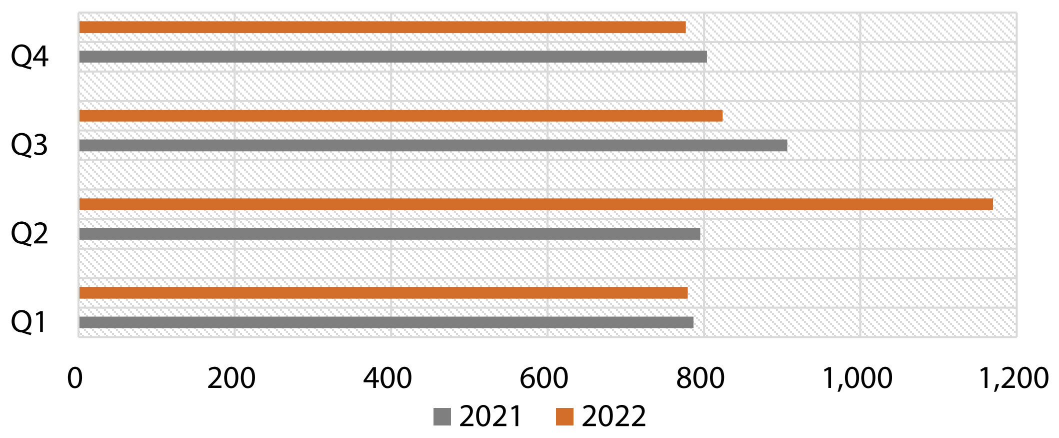
RISKS TO OUR CALL

- Downside risk: Gas price may increase to new highs that may hinder the company from earning profit in CGM.
- Upside risk: Significant high in contracted volume or selling price in CGM in coming years that will bolster the company's profit.

(*) Upside include cash dividends in the next 12 months

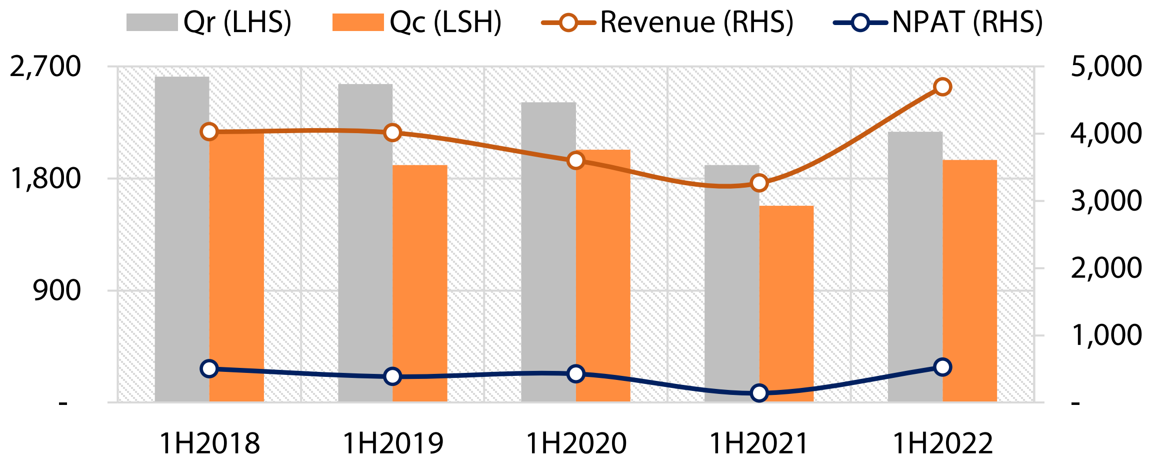
NPAT WAS HIGHER THAN EXPECTED IN 1H2022

Figure 1: Contracted volume by quarter (mn kWh)



Source: NT2, Rong Viet Securities

Figure 2: Volume (mn kWh) and results (VND bn)



Source: NT2, Rong Viet Securities

Volume to recover from the low base in 2021

- Contracted/provided volume rose by 23%/14% in 1H2022 that reinforced the compapny's profit.
- Notably, contracted volume in 2Q2022 was significantly high compared to others, 1,170 mn kWh, equal to the level of that in 2019 – the extremely dry weather year.

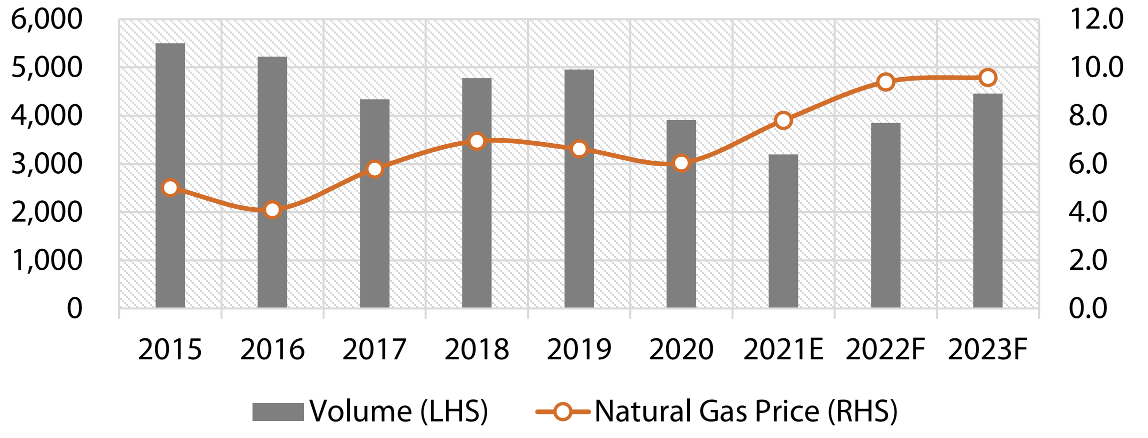
New high level of selling price in CGM boosted profits

- FMP – Full market price in CGM tremendously surge in the very first months in 2022 due to dry weather and peak in April due to coal shortage that trigger a surge in selling price.
- Capitalize on high selling price in CGM in the first 4 months to gain profit, NT2 provided 307 mn kWh in this market with the estimated Pm at roughly VND 1,800.

Core earnings have grown regardless of La Nina due to several favorable conditions during 1H2022

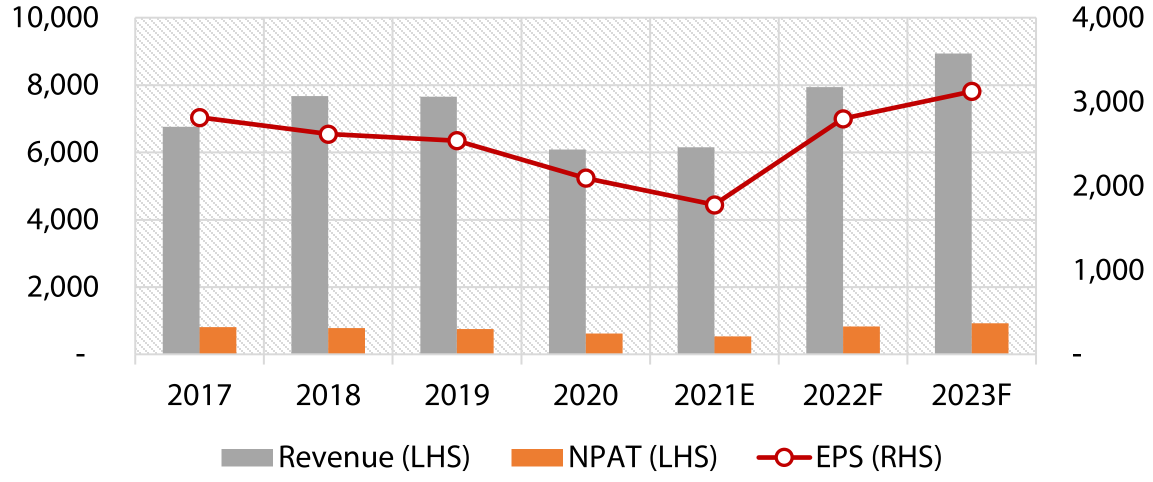
- Hence, NT2 has widen its gross profit margin by 600 bps in 1H2022 and gain VND 525 bn (or USD 22.8 mn) in NPAT, +276% YoY.

Figure 3: Volume (mn kWh) and input price(USD/mmBTU)



Source: NT2, Rong Viet Securities

Figure 4: Business results (VND bn)



Source: NT2, Rong Viet Securities

Core earnings in 2H2022 may slow down versus 1H.

- Contracted volume in 2H2022 is lower than that in 1H2022 /2H2021 by 18%/6% due to a short-term maintenance which may take a couple of days and seasonal factor. Besides, it is hard for NT2 to earn profit during rainy season in large part of 2H. Hence, core earnings in 2H are going to be low.

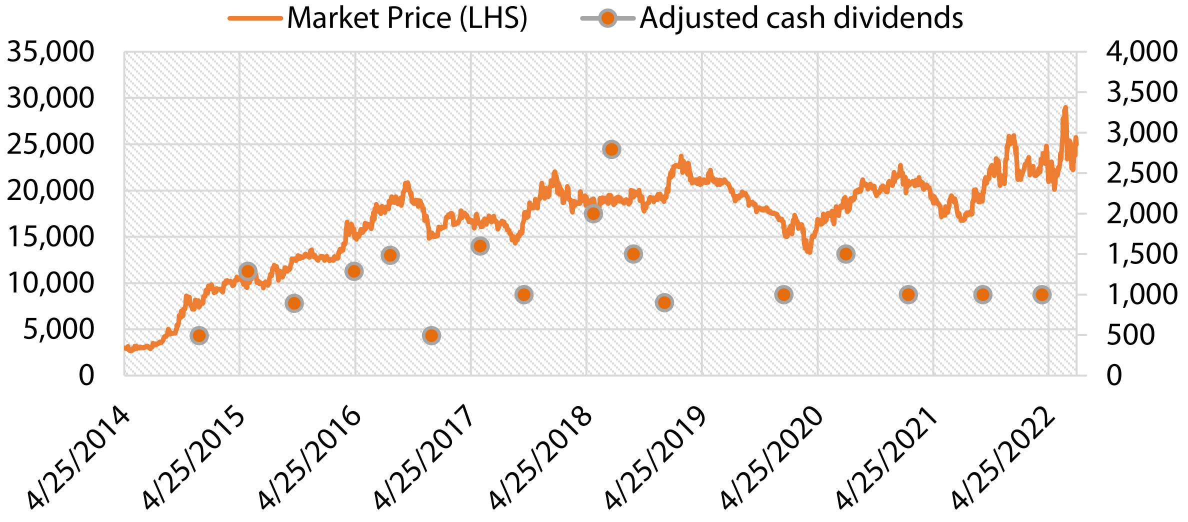
Yet the FX revert revenue is expected to be a record in 2H .

- NT2 is subject to a potential financial revenue from FX reversal of roughly VND 400 bn (or USD 17.4 mn. We expect that the company will record half of it in 2H2022.

Earnings are going to recover from 2022 and high utilization rate onwards.

- Altogether, the company's earnings are set to surge in 2022 on the back of substantial core earnings in 1H and one-off profit in 2H. Revenue/ NPAT are conservatively forecasted to be VND7,941/ 827 bn (or USD 345/ 36 mn), +29% YoY/+55% YoY.
- In 2023, we expect NT2 to have higher contracted volume and continue to achieve high level of selling price in CGM and the remaining of FX revert. As a result, NPAT/EPS are forecasted to slightly increase by 12% YoY to VND 923 bn/VND 3,125.

Figure 5: Cash dividends per share and market price (VND)



Source: NT2, Rong Viet Securities

Figure 6: EV/EBITDA

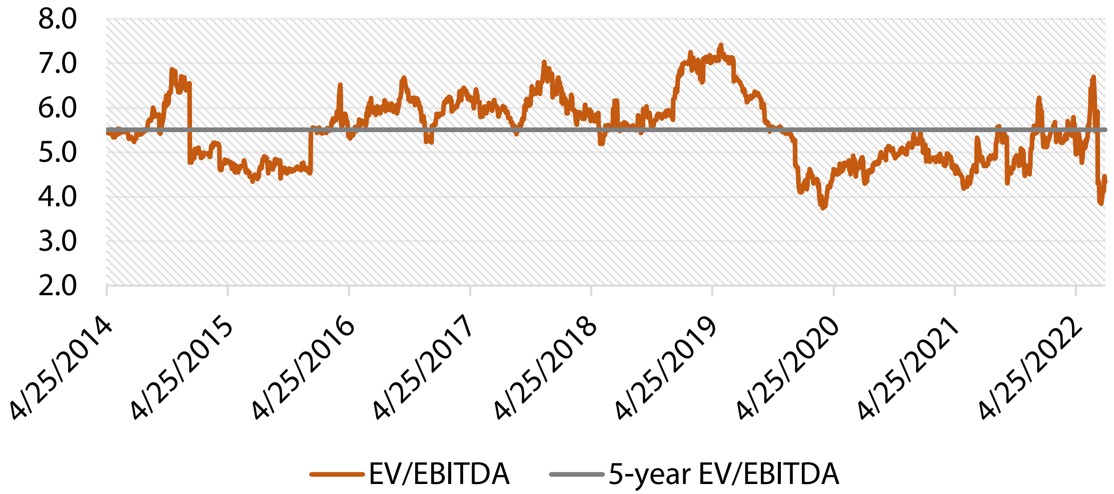
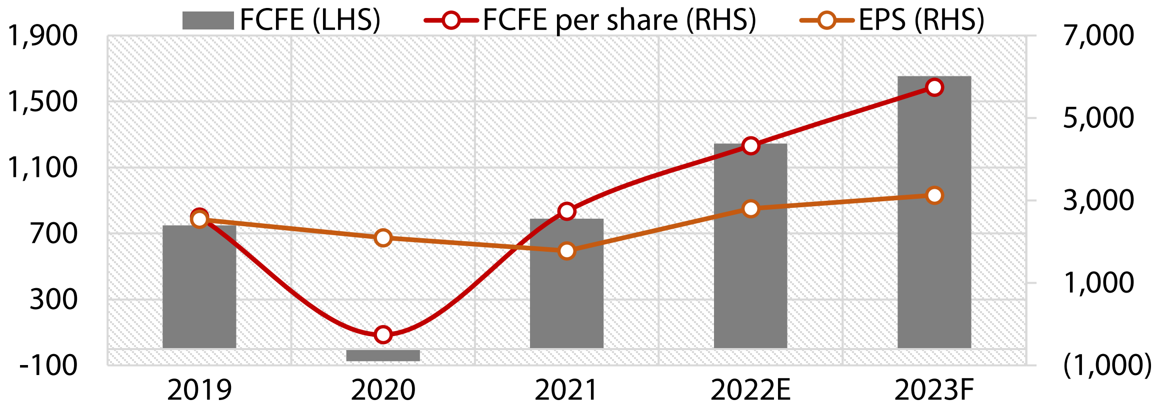


Figure 7: Estimated FCFE (VND bn) and EPS (VND)



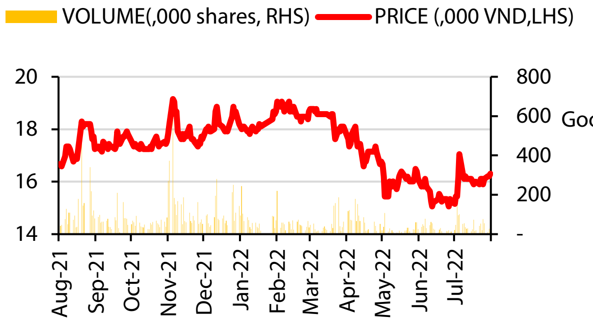
Source: NT2, Rong Viet Securities

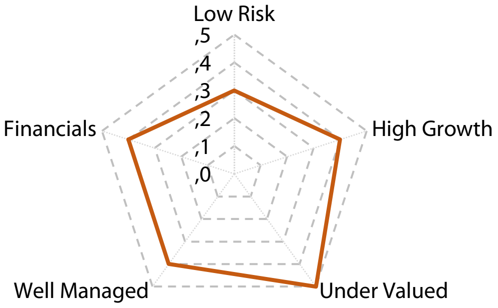
Eyes on potential cash dividend

- NT2 has embarked on the mature phase after the company finished its debt payment obligation in Jun 2021. From then, the company will utilize its cash flows to pay dividends to shareholders.
- Furthermore, NT2 is one the cash-cow companies amongst numerous subsidiaries of POW. Hence, POW will have more engine to cash in from its subsidiaries for its investment activities while NT2 has no significant investment in the coming years.

WEATHER THE STORM

BUY: +44% (*) **MP: 16,200** **TP: 23,000**





STOCK INFO

Sector	Utilities
Market Cap ($ bn)	349
Current Shares O/S (mn shares)	500
3M Avg. Volume (K)	32
3M Avg. Trading Value ($ bn)	1
Remaining foreign room (%)	49.0
52-week range ('000 VND)	20.6 - 15

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	9,027	10,946	11,532
NPATMI VND bn)	455	806	1,025
ROA (%)	4.5	9.6	12.8
ROE (%)	6.2	13.3	15.3
EPS (VND)	911	1,521	1,934
Book Value (VND)	12,452	11,634	12,878
Cash dividend (VND)	2,175	800	1,000
P/E (x)	17.6	10.5	8.3
P/B (x)	1.9	2.0	1.8

INVESTMENT RATIONALES

Earnings are going to lift from the low base in 2021 given by higher contracted volume and the decline of depreciation expenses. Visible and sanguine growth since FY22 and onwards

- A growth of 16% in contracted volume compared to last year that will ensure the company's profit even hydrological condition does not seem to support thermal plants during this year.
- Furthermore, HND decided to reschedule its depreciation timeline since 2Q2022 resulted in the decrease of VND 350 bn (or USD 15 mn) in annual expenses. Hence, we forecast NPAT to jump by 77% to VND 806 bn (or USD 35 mn) in 2022. Year to date, the company has fulfilled 67% of our forecasted FY2022 NPAT.

Stable mobilization due to its position competitive edge.

- Located in Hai Phong, one of the Northern key economic zones that helps HND to have sustainable volume in coming years. Notably, electricity supply side in the North is relatively limited in the next two years, while demand continues to grow. Therefore, thermal plants in such landscape are forecasted to be mobilized intensively in next El Nino period.

Attractive dividends yield, particularly from the debt-free phase. We expect HND to pay the majority of its earnings as cash dividends after finishing its debt obligation in FY2024. Forecasted dividend yield is expected to be 5% - 10% in FY22- 25 period, equivalent to VND 1,000 – VND 1,700 per share.

RISKS TO OUR CALL

- VND depreciation may bear a risk in terms of FX loss, we need to follow the USD exchange rate movement to anticipate these losses.
- Due to government-mandated environmental improvement projects, the company's cash flow may be impacted.

(*) Upside include cash dividends in the next 12 months

EARNINGS TRIPLED IN 1H2022

Turning loss into profit in 1Q2022 owing to the dry season

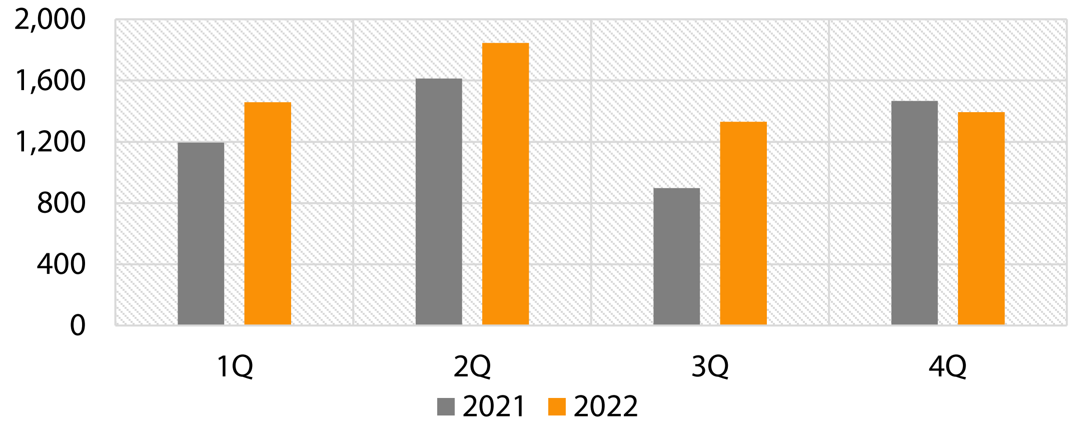
- HND enjoyed favorable conditions to perform well during 1Q including (1) Higher provided/contracted volume by 19%YoY/22% YoY and (2) Selling price in CGM rose by 36% YoY on an average basis.

NPAT surged in 1H2022 despite difficulties in 2Q2022

- The rainy season came sooner than expected that made HND hard to compete in CGM. However, the company has extended its depreciation life since 2Q2022, resulting in a decrease of VND 150 bn (or USD 6.5 mn) in depreciation expenses in 2Q2022 and, hence, boosting NPAT.

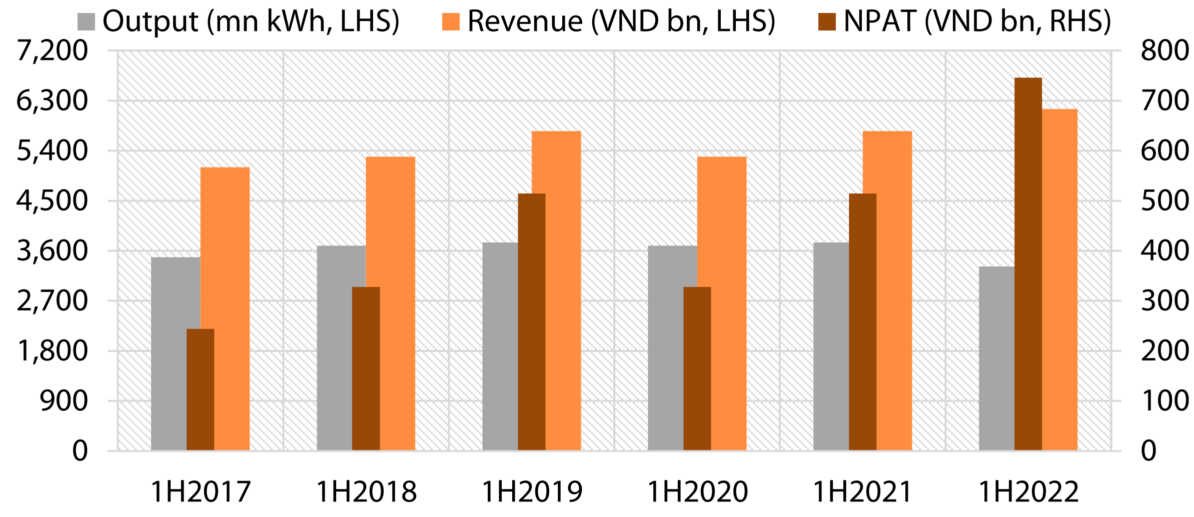
Overall, HND's 1H 2022 revenue and NPAT reached VND5,203 bn (or USD226 mn, +13% YoY) and VND538 bn respectively (+203% YoY), completing 48% and 67% of our full year FY 22 forecast.

Figure 1: Contracted volume by quarter (mn kWh)



Source: HND, Rong Viet Securities

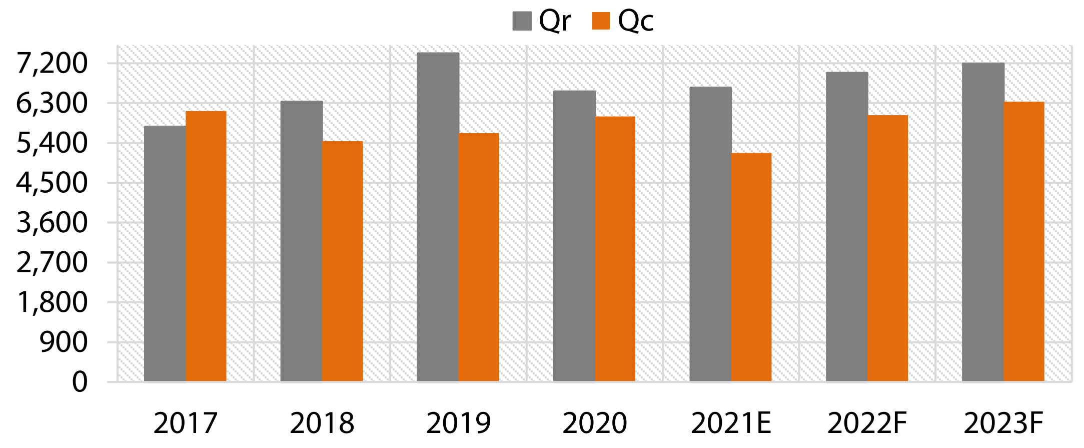
Figure 2: HND's 1H business results snapshot



Source: HND, Rong Viet Securities

VISIBLE AND SANGUINE GROWTH FROM FY22 ONWARDS

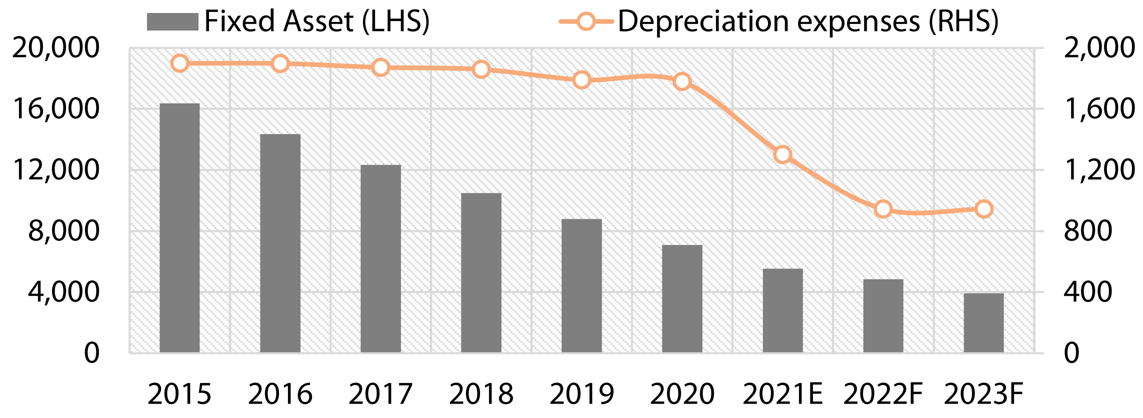
Figure 3: Contracted and provided volume (mn kWh)



Story of growth returns after a low base in 2021

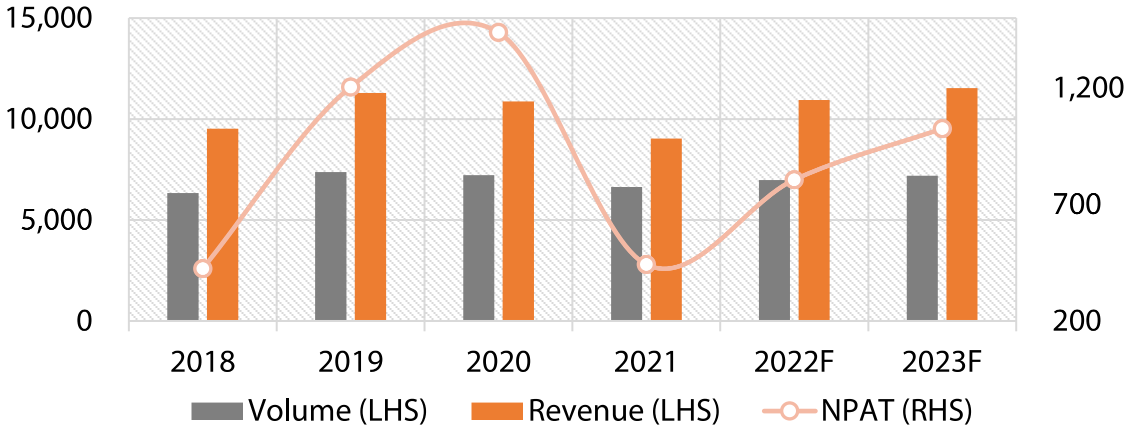
- We foresee that HND passed tough time in 2021 when the company encountered numerous difficulties, and HND is going to gradually recover in 2022 to peak in the next El Nino phase.
- In our 2022 strategy report, we expected HND to recover in FY22 given the electricity consumption recovery and higher Qc compared to last year.
- We forecast that HND will provide around 6.9 bn kWh, resulting revenue and NPAT of VND 10,945 bn (or USD 476 mn, +21% YoY) and VND 806 bn (or USD35 mn, +64 % YoY) , respectively.

Figure 4: Fixed Asset and depreciation expenses (VN bn)



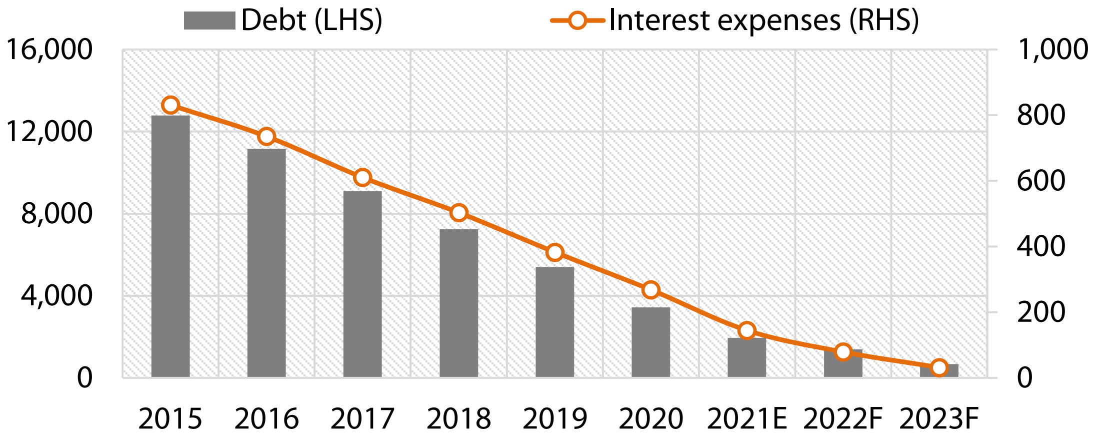
Source: HND, Rong Viet Securities

Figure 5: Volume (mn kWh) and forecasted results (VND bn)



Source: HND, Rong Viet Securities

Figure 6: Outstanding debt at year end (VND bn)

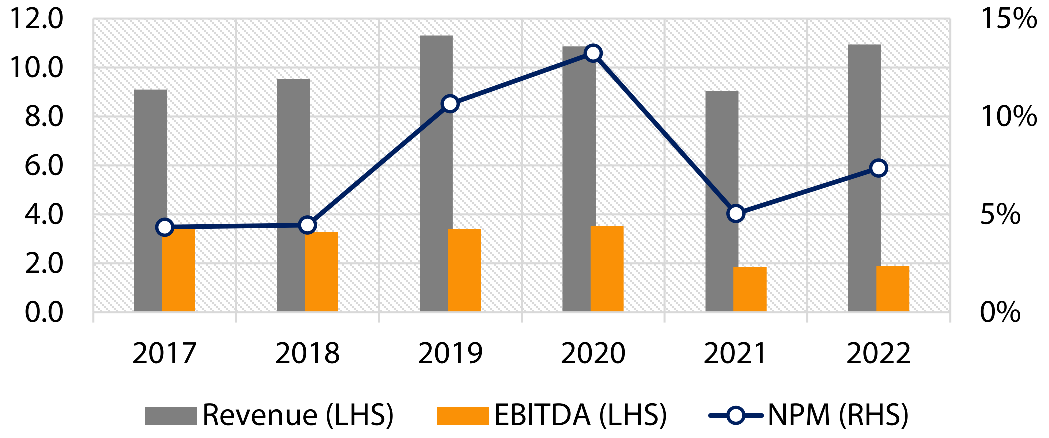


Source: HND, Rong Viet Securities

Attractive dividend yields from FY23 onwards

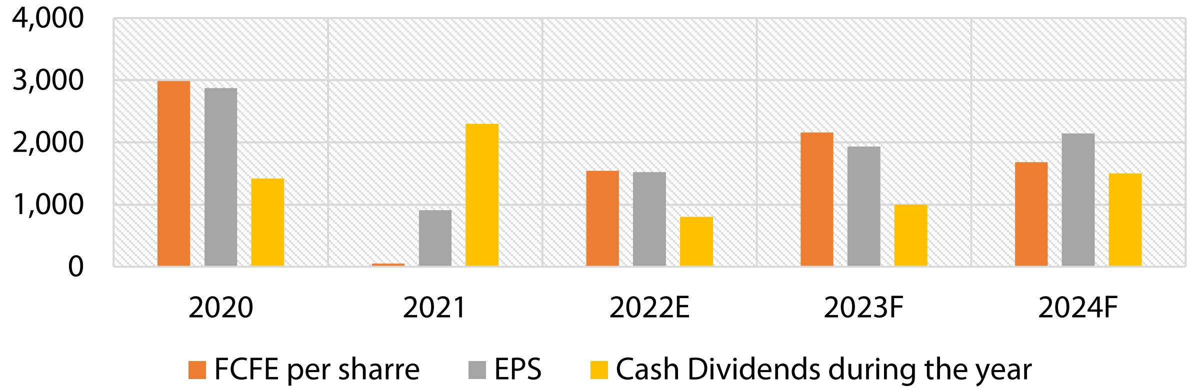
- With projected strong cash flow after repaying all of its debts by FY2024, we expect that HND will begin to pay the majority of its earnings via cash dividends. We forecast that FCFE per share in coming years is over VND 1,500.
- Respective 2022F and 2023F EV/EBITDA stay at 4.8x and 3.8x, rather attractive given attractive dividend yield and the high likelihood of outperformance in the next El Nino phase.

Figure 7: Business results (VND bn)



Source: HND, Rong Viet Securities

Figure 8: Strong FCFs underpin valuation and cash dividend payout

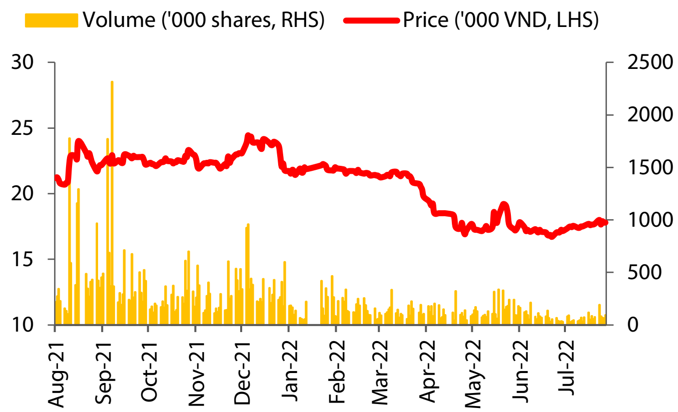


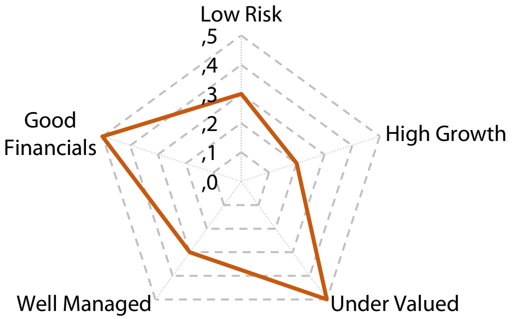
Source: HND, Rong Viet Securities

AFTER THE STORM: RECOVERY AWAITS FY2023

HSX: PPC

MUA: +30% **MP: 17,900** **TP: 22,500**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	242
Current Shares O/S (mn shares)	321
3M Avg. Volume (K)	104
3M Avg. Trading Value ($ bn)	2
Remaining foreign room (%)	35.4
52-week range ('000 VND)	26 - 17

FINANCIALS	2021A	2022F	2023F
Revenue	3,868	5,640	6,982
NPATMI	216	407	884
ROA (%)	4.0	6.8	13.9
ROE (%)	1.8	3.2	6.3
EPS (VND)	513	965	2,097
Book Value (VND)	14,912	15,443	16,012
Cash dividend (VND)	5,665	450	800
P/E	36.4	18.7	8.6
P/B	1.2	1.2	1.1

INVESTMENT RATIONALE

Financial income to boost earnings from 2H2022

- Dividends income from associate companies HND and QTP are going to save PPC's bottom line. We estimate that two associate companies will be able to contribute an amount of VND163 bn and VND215 bn for PPC in 2H2022 and 2023, respectively.
- Buoyant results of HND and QTP are going to shore up PPC's sustainable yield in coming years. We expect both to have a bright outlook with strong results in FY23, in line with the thermal plant recovery. PPC's dividend income from these associate companies is projected to bring sustainable growth in the medium term.

Core earnings are expected to recover from 2023. PPC is set to recover from 2023 on the back of (1) SS6 generator (300MW) at Pha Lai 2 Power Plant resume and (2) Drought period is expected to come back in the near future. EPS in 2022 and 2023 are forecasted to rise by 59% YoY and 157% YoY, respectively, to VND 965 and VND 2,097. The P/E in FY22/ FY23 is at 18.7x/8.6x .

Consistency in cash dividend payments. PPC has a consistent track record of paying cash dividends. We believe that the prospect of earnings recovery next year, coupled with a solid dividend income from associate companies will support PPC's attractive dividend yields of 8% for FY23F.

RISKS TO OUR CALL

- Pha Lai 2's S6 generator restarts faster/slower than expected.

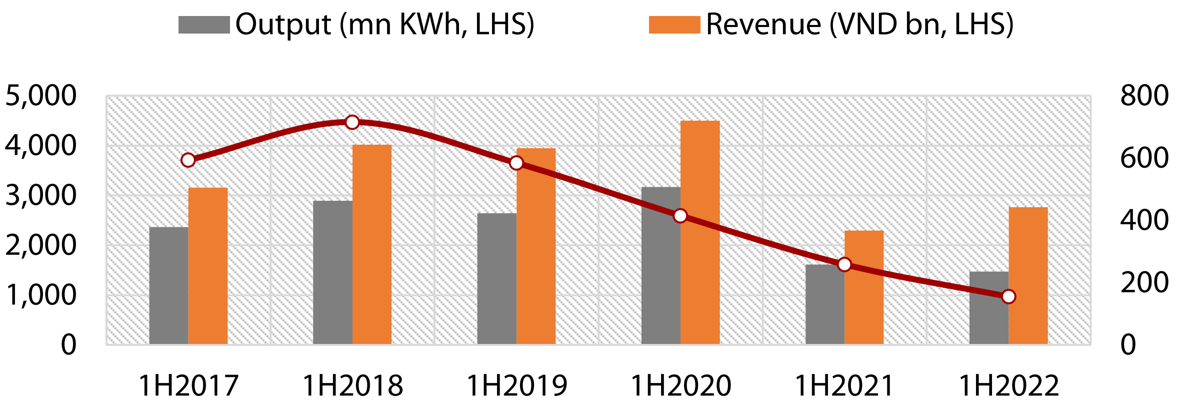
1H2022 SALE VOLUME AND EARNINGS WEAK AS EXPECTED

Low electricity sale volume but shored up by associates' dividends and high CGM price

- PPC's contracted volume (Qc) in Q1 2022 was 603 mn kWh (10% less than the contracted volume granted by EV). However, strong CGM prices outweighed an 8% YoY decrease in electricity sales volume. Q1 2022 also reported a drop in earnings, to VND80 bn (-42% YoY), as (1) Lower dividend income and (2) No more reversal provision for financial investments in QTP and EVN Finance JSC.
- Q2 2022 is well aligned with our expectations emphasizing the company's predictability of weak results. Electricity sales volume declined 11% YoY, to 827 mn kWh. NPAT slumped 38% YoY, to VND75bn, mainly due to a lack of dividend income from PPC's associates including QTP and HND.

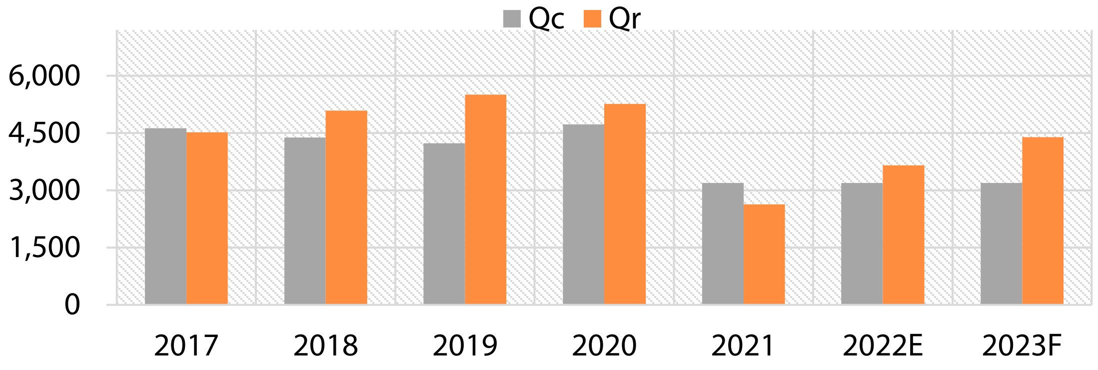
Overall, PPC 1H 2022 revenue and NPAT reached VND2367 bn (+3% YoY) and VND155 bn, respectively (-40 % YoY), completing 42% and 45% of our full-year FY 22 forecast.

Figure 1: PPC's 1H results snapshot



Source: PPC, Rong Viet Securities

Figure 2: Contracted and provided volume (mn kWh)



Source: PPC, Rong Viet Securities

ASSOCIATES' DIVIDENDS AND S6 GENERATOR SPUR 2023F RECOVERY

Figure 3: PPC's EBT structure (VND bn)

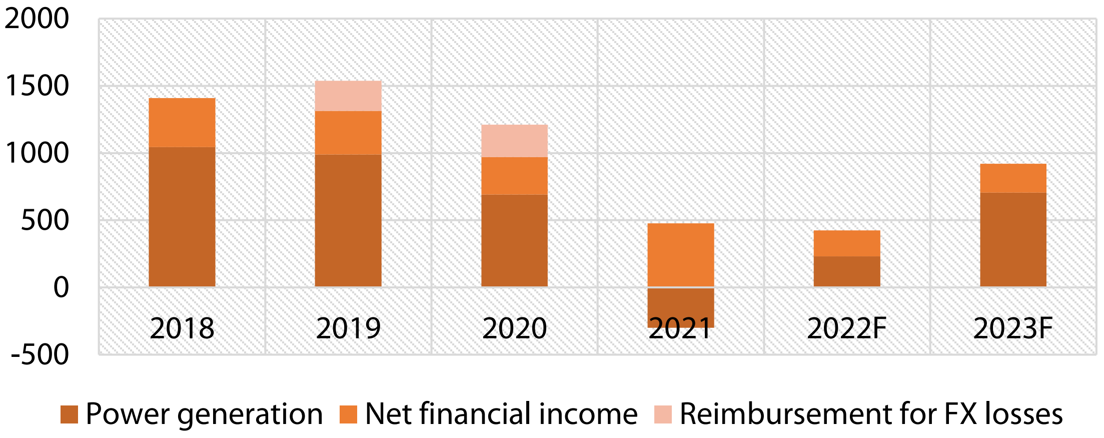
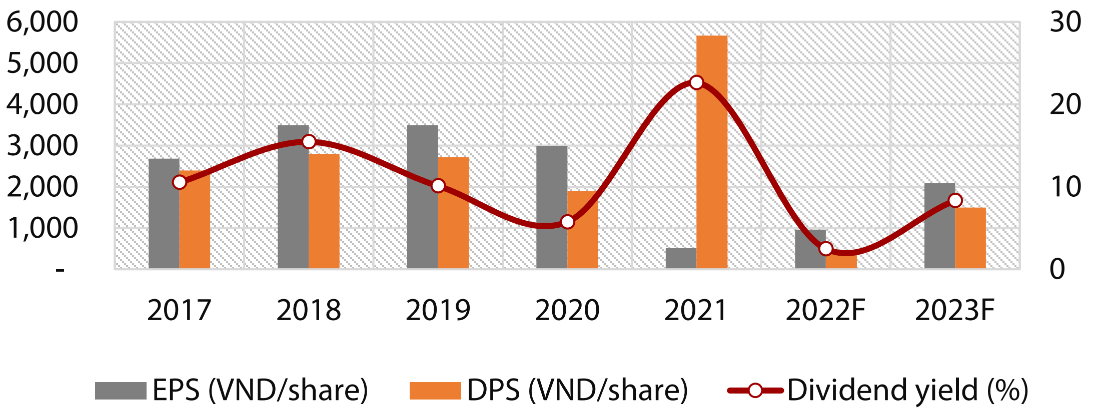


Figure 4: PPC's proven dividend track record and 2023F



Source: PPC, Rong Viet Securities

Buoyant results of HND and QTP shore up PPC's sustainable yield

- Dividend income from associate companies HND and QTP paid in Q3 2022 will save the bottom line (~VND 163 bn).
- We expect HND and QTP to recover in FY22, in line with the thermal plant recovery. PPC's dividend income from 2 associates HND and QTP is forecasted to be VND 215 bn (or USD 9.34 mn) in 2023.

Earnings to rebound from 2023F

- Pha Lai 2's SS6 generator is expected to resume normal operation in 3Q 2023, allowing PPC to gradually recover in the next El Nino phase.
- We forecast that PPC will provide around 4.4 bn kWh, +20% YoY with revenue and NPAT of VND 6,982 bn (or USD 304 mn +24% YoY) and VND 884 bn (or USD 38.4 mn, +117 % YoY) in F23, respectively.

Consistency in dividends; yield about 8%

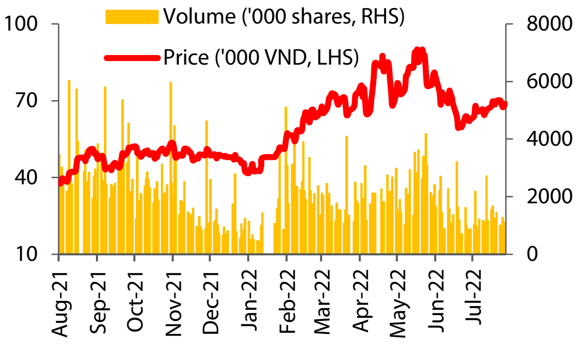
- PPC's attractive prospective dividend yield of 8.3% for FY23F offers good share price support.

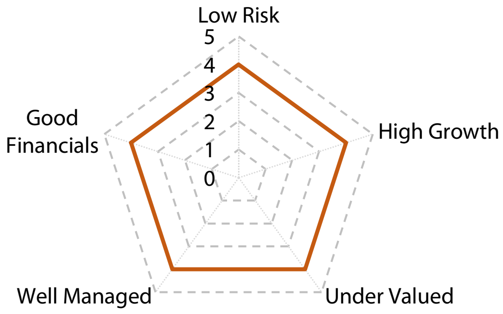
Source: HND, Rong Viet Securities

RIDING ON THE GREEN TREND IN VIETNAM

HSX: REE

<ACCUMULATE: +14%(*)> **<MP: 80,200>** **<TP: 90,400>**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	1225
Current Shares O/S (mn shares)	355
3M Avg. Volume (K)	1285
3M Avg. Trading Value ($ mn)	108
Remaining foreign room (%)	-0.1
52-week range ('000 VND)	100 - 48.61

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	5,810	7,975	9,056
NPATMI VND bn)	1,855	2,325	2,446
ROA (%)	9.0%	7.3%	7.9%
ROE (%)	15.2%	14.2%	12.8%
EPS (VND)	6,003	6,537	6,877
Book Value (VND)	52,759	53,840	60,716
Cash dividend (VND)	1,000	1,000	1,000
P/E (x)	13.4	12.3	11.7
P/B (x)	1.0	1.5	1.3

INVESTMENT RATIONALE

Large hydropower plants which capitalize on both high ASP and volume are set to outperform until 1H2023

- Hydropower plants continue enjoying favorable conditions to reserve more water to produce electricity until 1H2023 as La Nina is forecasted to prevail in 2022 according to NOAA. Holding roughly of 500 MW hydropower, accounting for 51% of total its capacity, this segment will boost the company's earnings up to mid-2023.
- The selling price in CGM has set a new level high compared to the historical one due to the material price surge and we see the global power crunch will take time to cool down. Furthermore, Thuong Kon Tum plant potentially raise its PPA in the near term. Hence, hydropower plants are set to perform well at least to mid-2023.

Riding on the green trend in Vietnam with more renewable energy projects. An ambitious expansion plan including hydropower and wind power plants that will raise its capacity and NPAT in coming years. In 2022, REE plans to add more than 100 MW of wind power and solar power, and small hydropower plants.

Etown6 will fuel medium-term growth. Solid and stable earnings from this segment will contribute stable cash flow to the company. Furthermore, Etown6 will be the company's growth momentum from 2023, raising its leasable areas by 27% to roughly 200,000 sqm.

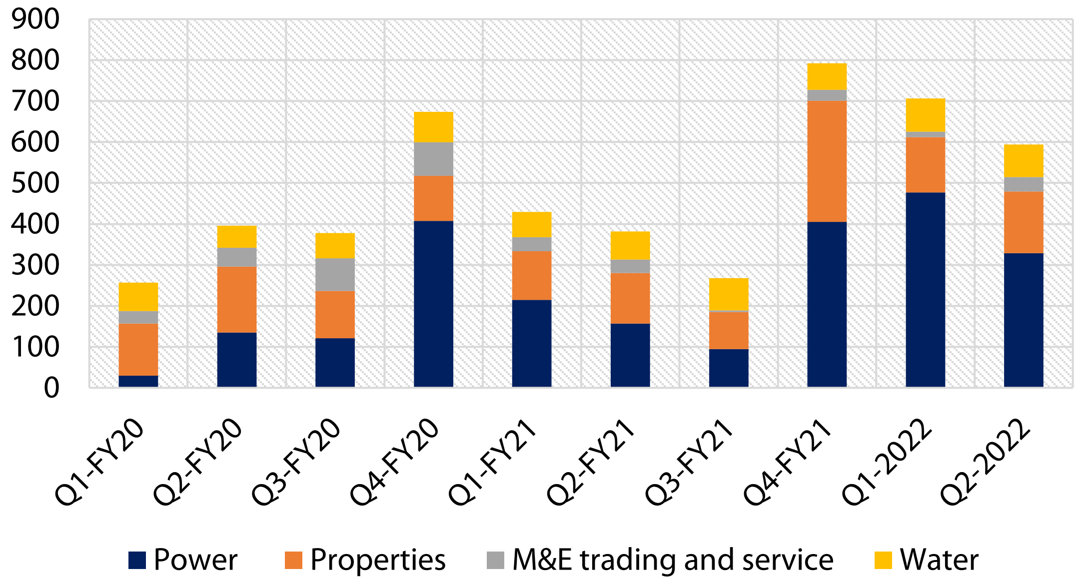
RISKS TO OUR CALL

- The expansion plan in power segment may prolong longer than expected due to industry regulation, a shortage of earnings from those brand-new projects might impact growth speed.
- The lower-than-expected ASP if (1) CGM price goes down significantly and (2) Thuong Kon Tum plant's PPA cannot be revised up.

(*) Upside include cash dividends in the next 12 months

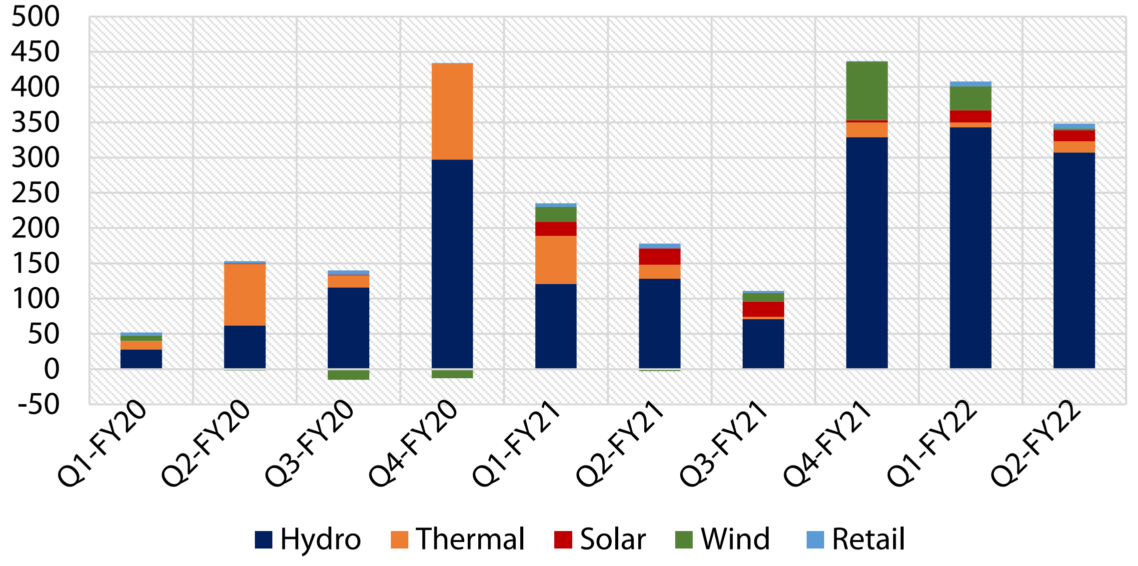
HYDRO AND WIND POWER DROVE NPAT IN 1H2022

Figure 1: NPAT by segment (VND bn)



Source: REE, Rong Viet Securities

Figure 2: NPAT in power segment (VND bn)



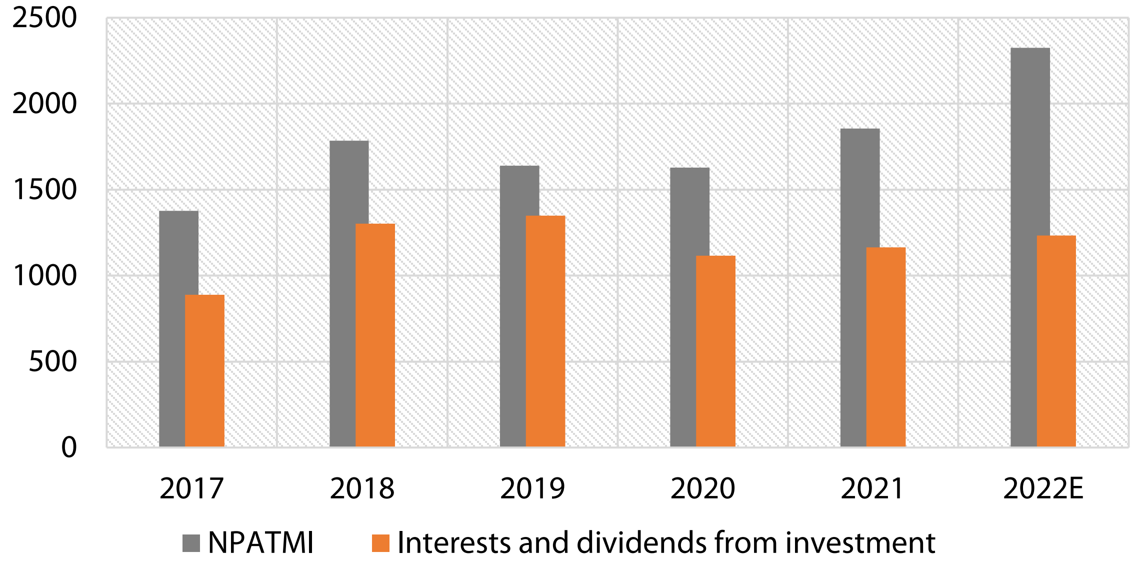
Source: REE, Rong Viet Securities

New contribution from wind power bolstered the company profit. The three-wind power plants came online in Oct 2021 will be fully utilized and boost earnings in 2022. Wind power projects gained VND 34/ VND 2 bn in 1Q/ 2Q2022, contributing roughly 8% and 1% to power segment NPAT.

Core earnings surged by 61% YoY thanks to the power segment enhancement. The power/properties segment contributed the majority of the total company's earnings, respective of 62%/ 25% of total the company NPAT in 1H2022. The power segment doubled its earnings to VND 806 bn (or USD 35 mn) in 1H2022, properties and water segment sustainably rose by 18% and 23%. Meanwhile, M&E service and trading experienced a diverse trend, -28% YoY.

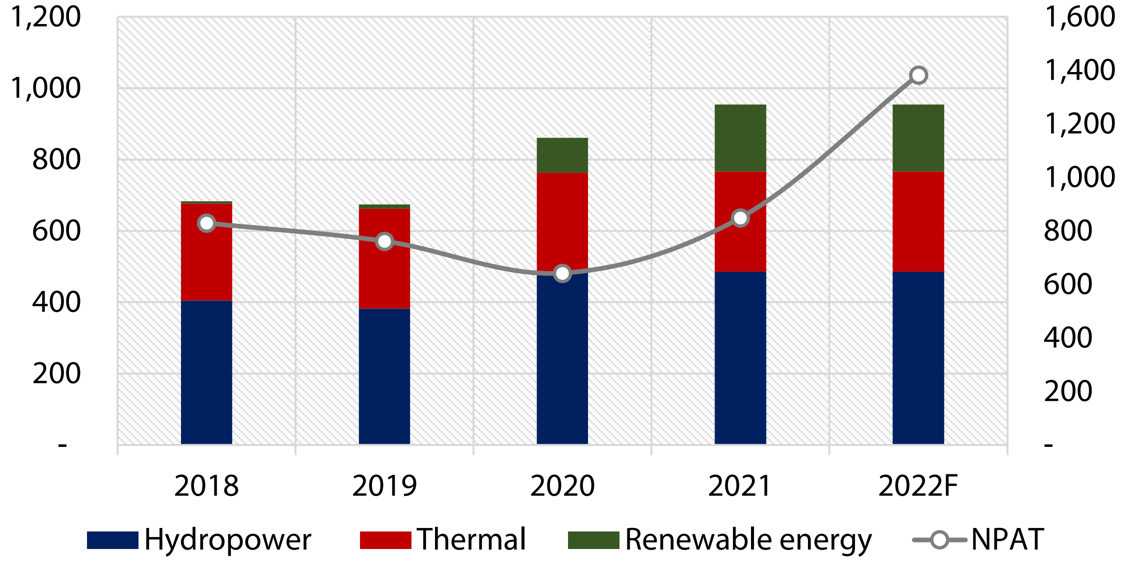
Large hydropower plants were the main pillar in the power segment that benefited from a bounce in volume and the extremely high selling price in CGM. 40% of the power segment's earnings stem from VSH, which just commercial operated the Thuong Kon Tum plant in Apr 2021.

Figure 3: Profit and cash dividends from its investments (VND bn)



Source: REE, Rong Viet Securities

Figure 4: Capacity (LHS, MW), NPAT (RHS, VND bn)



Source: REE, Rong Viet Securities

Risk of FX loss due to the fluctuation of the exchange rates in the short-term. As REE has both USD and EUR financial exposure, those exchange rates movement might generate loss/gain in the current unpredictable context.

Maintain core earnings growth in 2H2022. We forecast revenue/ NPATMI to be VND 7,974/ 2,325 bn (or USD 347/ 101 mn, +37%/ 25% YoY). NPATMI rose more slowly than revenue as (1) a slump of 63% in financial income compared to 2021. The company gain substantial earnings in 2021 thanks to divestment from VIID, QTP and the VND appreciation during 2021; (2) An edge of 28% YoY in financial expenses consisting of interest expenses and FX loss.

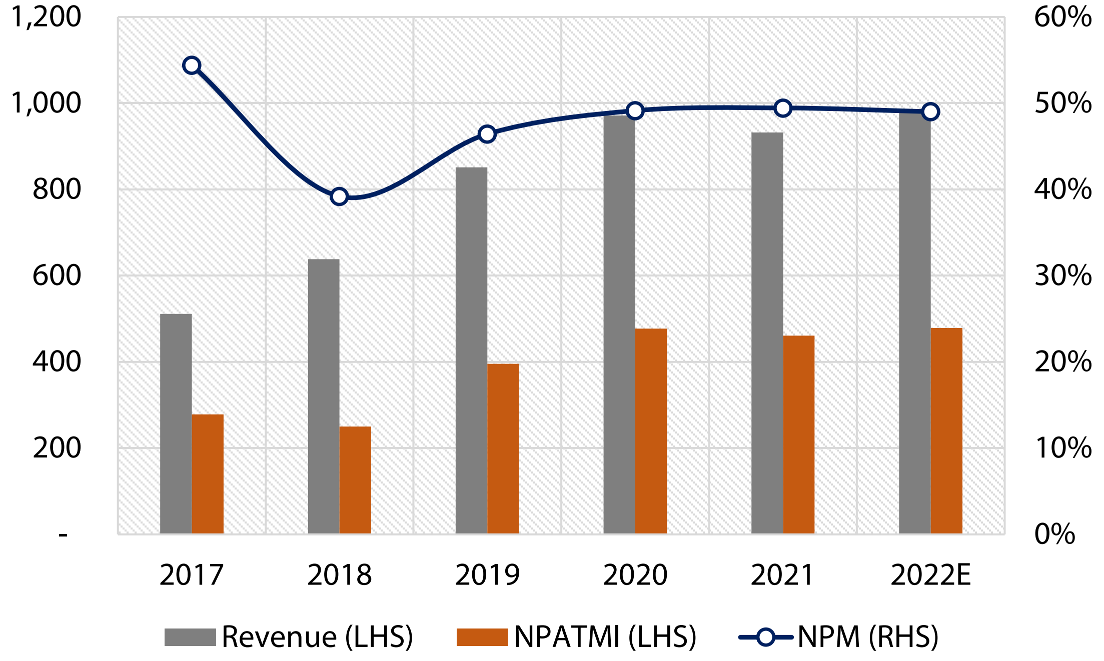
Riding on the green trend in Vietnam to pursue more renewable energy projects. Capitalizing on the company's solid cash flows, REE will expand its capacity in the power segment consisting of wind power, rooftop solar and small hydropower plants.

ETOWN6 WILL FUEL MEDIUM TERM GROWTH

Figure 5: Etown 6

Source: REE, Rong Viet Securities

Figure 6: Estimated office leasing segment results (VND bn)



Source: REE, Rong Viet Securities

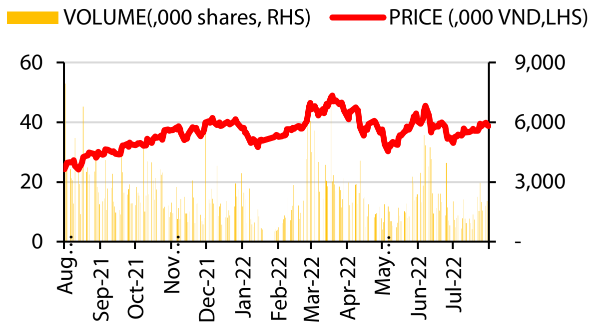
Etown 6 will fuel medium-term growth and boost solid cash flow in the leasing segment from 2023

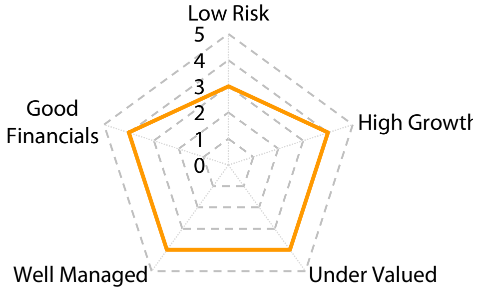
- Earnings from office leasing will gradually grow due to its stable nature. Per our estimation, the company will gain more than VND 100 bn (or USD 4.4 mn) when it fully occupied in PBT term, accounting for roughly 20% of current earnings from this segment.
- High net profit margin and cash flows from this segment will be the resource that the company will utilize to expand its holding business.

NICKEL ORE IS THE GROWTH CATALYST

HSX: PC1

ACCUMULATE: 15% **MP: 38,000** **TP: 43,800**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	390
Current Shares O/S (mn shares)	235
3M Avg. Volume (K)	1894
3M Avg. Trading Value (VND Bn)	73
Remaining foreign room (%)	45.4
52-week range ('000 VND)	49.9 - 24.04

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	9,828	7,342	9,612
NPATMI VND bn)	695	477	730
ROA (%)	2.6	3.9	3.9
ROE (%)	9.2	12.4	12.4
EPS (VND)	2,860	1,826	2,795
Book Value (VND)	19,992	21,966	24,988
Cash dividend (VND)	0	0	0
P/E (x)	13.6	21.2	13.9
P/B (x)	1.9	1.8	1.55

INVESTMENT RATIONALE

The power sector is the main pillar in 2022. PC1 commercial operated three wind power plants in Oct 2021 that will boost the power segment's profitability in 2022. Furthermore, hydrological conditions have supported hydropower plants to accelerate in 2022. We forecast the power segment's revenue and GP to be VND1,720 and VND925 bn, +86% YoY and 80% YoY, respectively in 2022. PC1 plans to continue expanding capacity in the power segment, specifically the Bao Lac A hydroelectric plant (30 MW) in 2023 and wind power projects from 2024.

The power construction segment will likely benefit from the upcoming wind power market. This segment recorded low results in 1H2022 due to the lack of revenue from renewable energy projects. We foresee that PC1 will achieve higher results in the upcoming wind power market. Revenue/ gross profit in 2022 are forecasted to be VND3,624/ VND290 bn (or USD158 / 12.6 mn) in 2022.

Nickel mine will be the growth engine in the medium term. PC1's Nickel mine is sulfide ore, expected to be exploited within 10 years with reserves of about 14.3 million tons of raw minerals, refining Nickel and copper with an estimated rate of 0.7% and 0.2% respectively. We estimate that the Nickel mine will contribute an additional VND1400 bn to the company's revenue in phase 1 and around VND3500 bn upon completion of the 2nd phase.

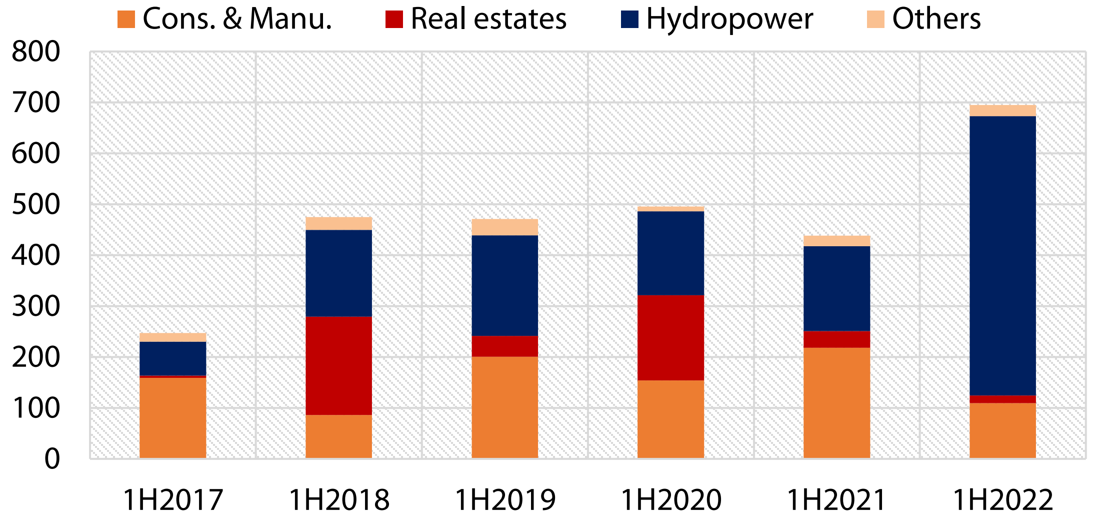
Numerous real estate projects to contribute to profits. PC1 owns four real estate projects and several subsidiaries in industrial parks. However, year to date there is no construction permit for those projects. We have not factored in residual projects in our valuation.

RISKS TO OUR CALL

- Downside risk: (1) Nickel ore exploitation might be delayed longer-than-expected. (2) Heavy exposure to USD currency (roughly 51% of total long-term debt).
- Upside risk: Power construction and real estate segments' earnings could be recorded sooner and higher than our forecast.

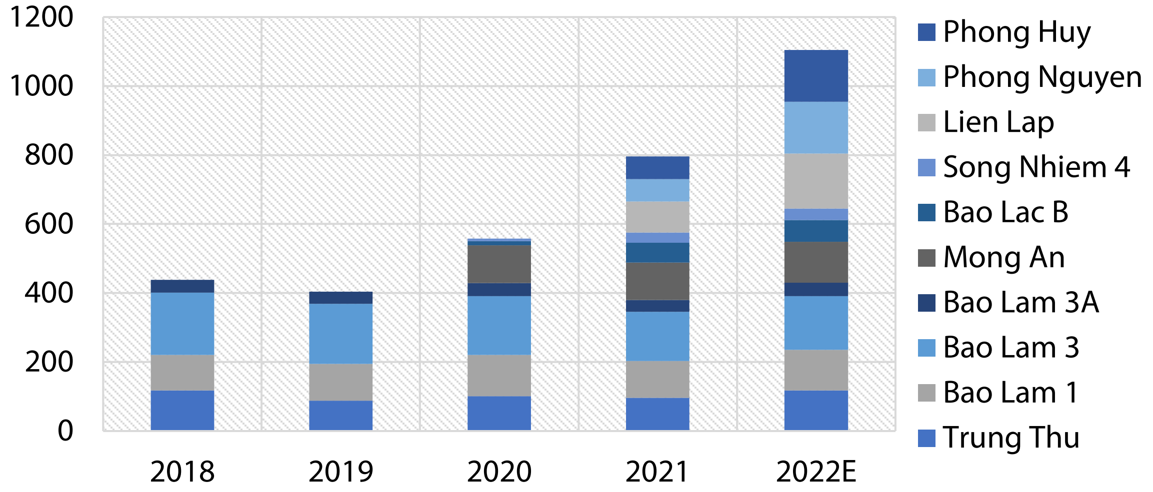
POWER SEGMENT WAS THE MAIN DRIVER IN 1H2022

Figure 1: Gross profit by sector (VND bn)



Source: PC1, Rong Viet Securities

Figure 2: Volume by power plants (mn kWh)



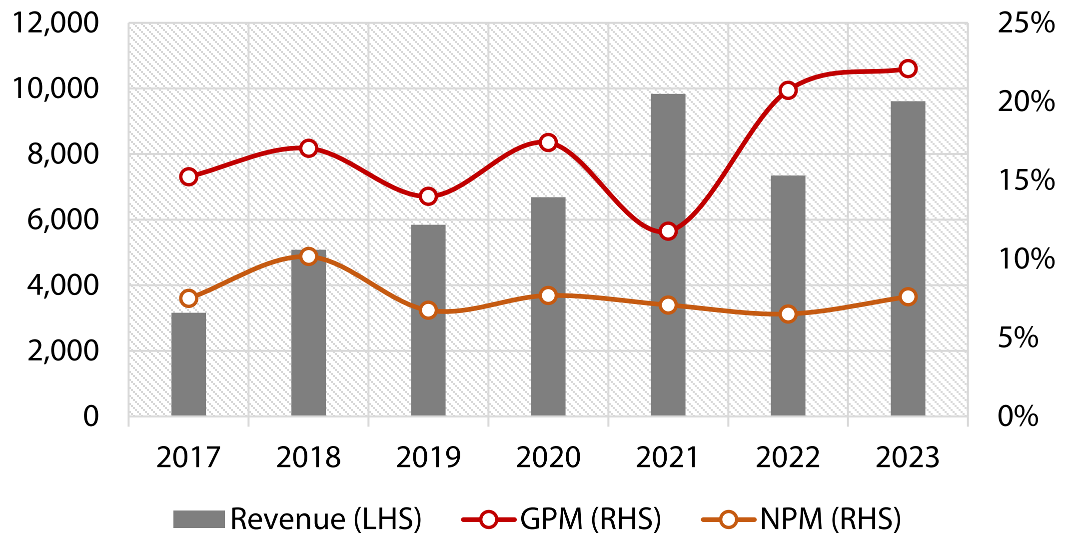
Source: PC1, Rong Viet Securities

Earnings growth boosted by new wind power projects

- Revenue and NPATMI in 1H2022 were VND 2,996 bn (or USD 130 mn, -34% YoY) and VND 196 bn (or USD 8.5 mn, -52% YoY), respectively. Core earnings still grew by 34% YoY while 2Q2021 recorded a non-cash profit – revaluation.
- Gross profit from this segment has tripled in 1H2022 and accounted for 79% of total gross profit given by (1) The new attribution of the three wind power plants came into operation in October 2021; (2) Dramatic rainfall in 2Q2022 that accelerated hydroelectric power plants performance. The power segment revenue /GP is forecasted to be VND1,720/ VND925 bn, +86% YoY and 80% YoY, respectively in 2022.
- Expand capacity in the power segment by hydropower and wind power from 2023 to 2025. Specifically, PC1 plans to build the Bao Lac A hydroelectric plant (30 MW) in 2023 and the remaining 51 MW of hydropower by 2025. Besides, wind power projects are going to add to the power portfolio from 2024.

CORE EARNINGS ARE FORECASTED TO CLIMB

Figure 3: Business results (VND bn) and margin (%)



Source: PC1, Rong Viet Securities

Table 1: Residential real estate projects (VND bn)

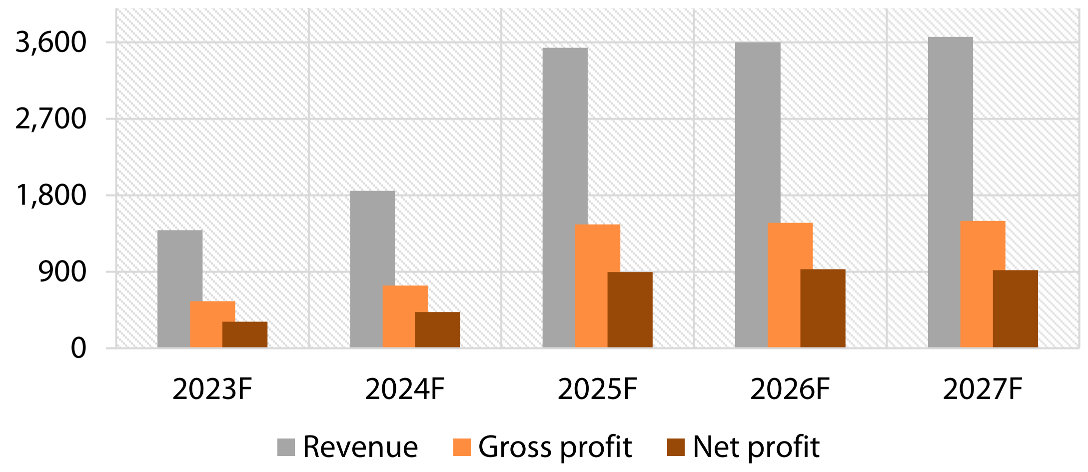
Projects	Area (m2)	Description
Gia Lam	7000	54 low-rise apartments
Dinh Cong	15,000	83 low-rise apartments
Vinh Hung	5,160	• Mixed-use high-rise buildings: 27 floors, 3 basements • Mixed-use high-rise buildings: 5 floors, 1 basements
Thang Long	20,000	• Mixed-use high-rise buildings: 27 floors, 3 basements • Low-rise commercial buildings: 4 commercial floors, 1 basement

Source: PC1, Rong Viet Securities

Core earnings are forecasted to climb. We forecast core earnings in 2022 to grow by 10% YoY (excluding financial income from revaluation in 2021). There will be a surge of 50% YoY in financial expenses including (1) financial interest from wind power and (2) FX loss.

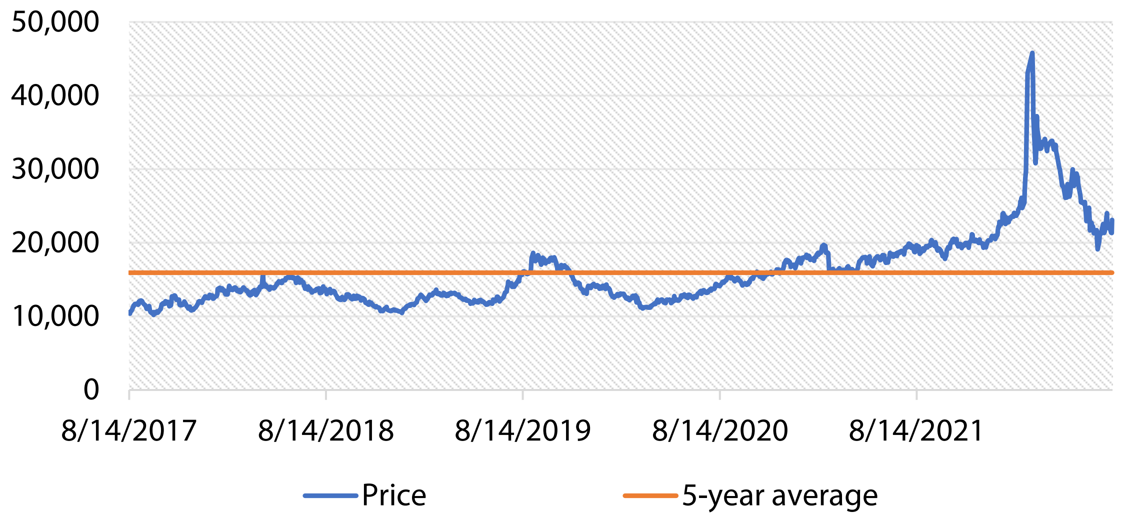
Numerous residual real estate projects but need to wait for construction permit. Currently, PC1 has four projects in its pipeline (Table 1) that the company expects to record from 2023 and 2025. However, there has been no construction permit, so we have not reflected those projects in our valuation. Aside from residential real estate, PC1 also spent VND1,100 bn for a 30% stake in Western Pacific, which owns a network of industrial parks and ports. PC1 expects a one-off revenue for Yen Phong II industrial park in 2023, with a total area of 158 hectares and leasing prices ranging from $120 to $150.

Figure 4: Nickel mine revenue and profit projections (VND bn)



Source: PC1, Rong Viet Securities

Figure 5: London Nickel price (USD/ton)



Source: Bloomberg, Rong Viet Securities

Expect to exploit from FY23

- The nickel-copper sulfide ore of PC1's mine, which contains reserves of roughly 14.3 million tonnes, is expected to be exploited within the next ten years. It has an estimated rate of roughly 0.7% for refined nickel and 0.2% for refined copper.
- We estimate that in 2023 and 2024, the nickel-copper mine operated by PC1's subsidiary- Tan Phat Mineral JSC, in which PC1 holds a 58% stake, will contribute roughly VND179 bn & VND244 bn (or USD 7.8 &10.6 bn) to PC1's PBT.

Figure 6: Tan Phat's nickel-copper mining project

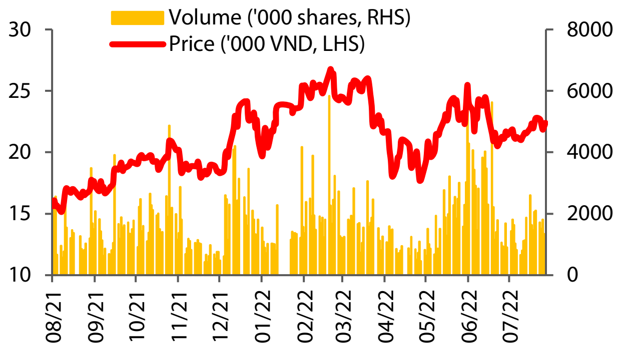
Metal type	Mine's total output (tonnes)	Estimated crude reserves (tonnes)	Estimated nickel refining capacity (tonnes)
Nickel	14,300,000	10,150,000	50,750-81,200
Copper			20,300-30,450

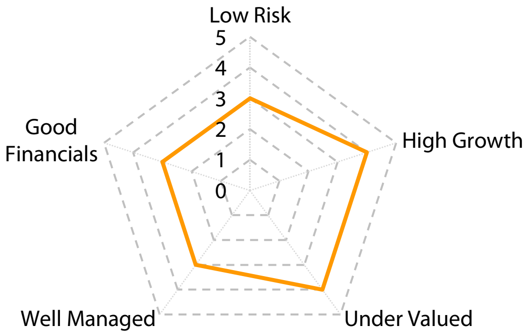
Source: PC1, Rong Viet Securities

WELL PREPARED FOR THE UPCOMING UPTURN

HSX: GEG

ACCUMULATE: 15% **MP: 19,550** **TP: 24,700**





STOCK INFO

Sector	Utilities
Market Cap ($ mn)	307
Current Shares O/S (mn shares)	322
3M Avg. Volume (K)	1950
3M Avg. Trading Value (VND Bn)	44
Remaining foreign room (%)	14.8
52-week range ('000 VND)	27.36 - 14.62

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue	1,381	2,116	2,170
NPATMI	277	311	378
ROA (%)	2.06	3.1	4.0
ROE (%)	8.4	9.4	11.4
EPS (VND)	834	979	1,190
Book Value (VND)	10,066	10,110	10,221
Cash dividend (VND)	400	400	400
P/E	26.2	22.3	18.4
P/B	2.4	2.4	2.4

INVESTMENT RATIONALE

Strong growth engine from wind power

- GEG is the top player in the renewable energy market. It will capture the wind power trend in Vietnam to add more projects to its green portfolio. The company has two potential wind power projects in its pipeline with 130 MW consisting of Tan Phu Dong 1 and V.P.L 2. Notably, TPD1 (100 MW) is the project that might enjoy referential condition compared to future plants in Vietnam as it has been signed with EVN.
- Currently GEG owns three-wind power plants. This will drive earnings in 2022. Despite having a high gross profit margin, financial expenses will eat most profits and result in a net profit margin of roughly 10%. Such margin is expected to increase in coming years thanks to a gradual decline in financial expenses. In 2022, we forecast that the wind power segment is going to contribute roughly VND 822 bn (or USD 36 mn), equivalent to 39% of total revenue.

Solar power segment is the stable contributor to earnings. Five solar power projects (259 MWp) with extremely high selling prices (FiT1) and 34 MWp rooftop solar. Revenue from this segment hovers around VND 850 bn (or USD 37 mn), contributing 40% of total revenue in 2022. Earnings and cash flows from this segment will rise thanks to constant debt repayment year over year.

Sustainable cash flow from hydropower plants. In 2022, the company will enjoy La Nina to bolster earnings and cash flow from hydropower. Those will contribute to company's finances to build more renewable energy projects.

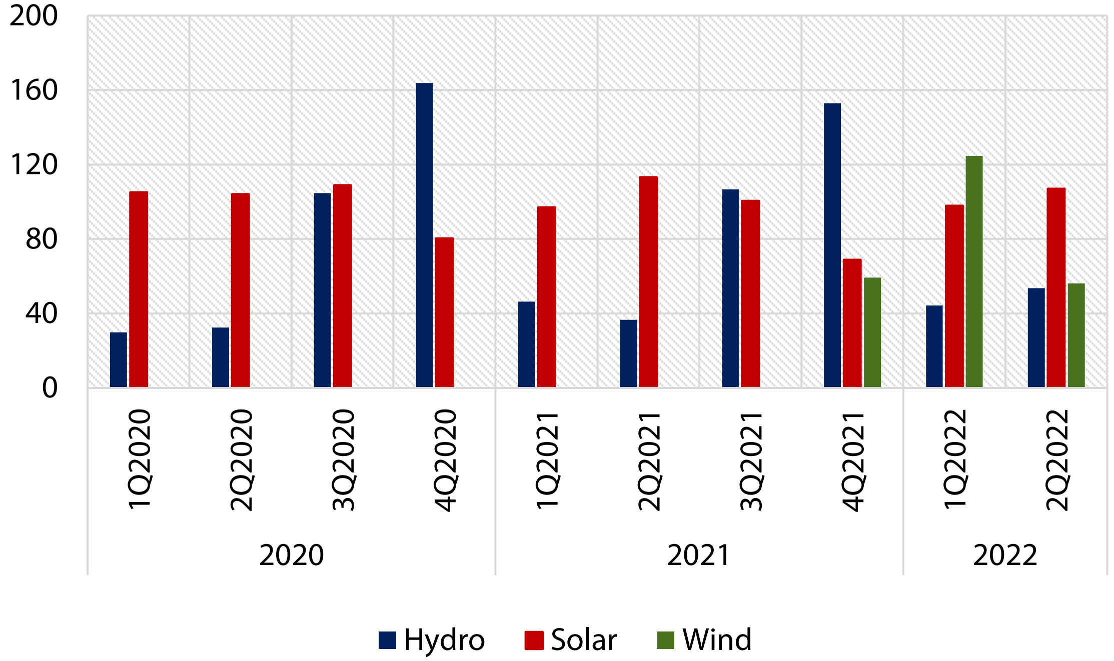
RISKS TO OUR CALL

- The wind power market might be take-off later than expected, resulting in an unattractive growth in near future.

(*) Total return including expected VND 400 cash dividends in 12 months

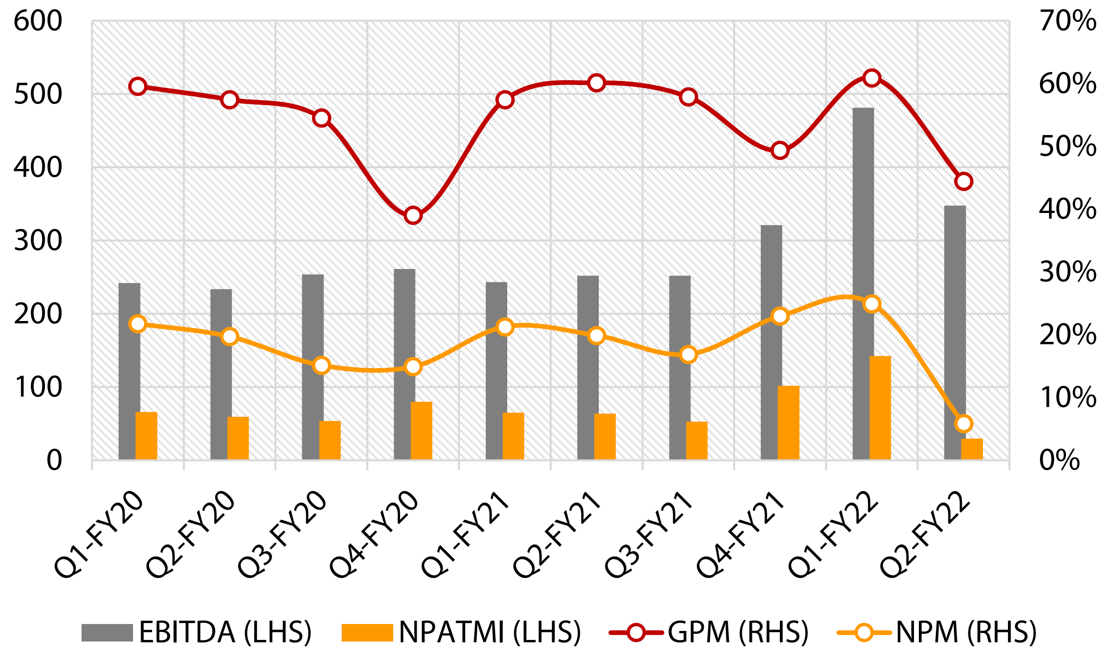
NEW ATTRIBUTION FROM WIND POWER PROJECTS

Figure 1: Volume by group (mn kWh)



Source: GEG, RongViet Securities

Figure 2: Results (VND bn)

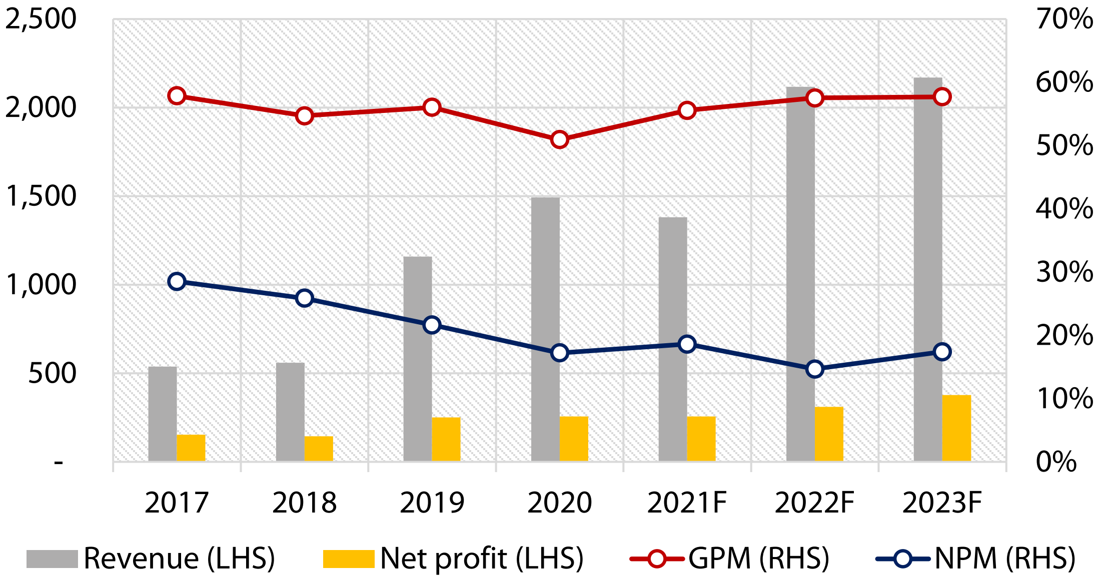


Source: GEG, RongViet Securities

EBITDA jumped by 67% YoY in 1H2022 on the back of the three wind power farms addition. Revenue/ NPATMI grew by 72% /34% YoY in 1H2022. However, GPM shrank by 564 bps to 53% in 1H2022 due to the lower margin of wind power projects compared to those of hydro and solar power.

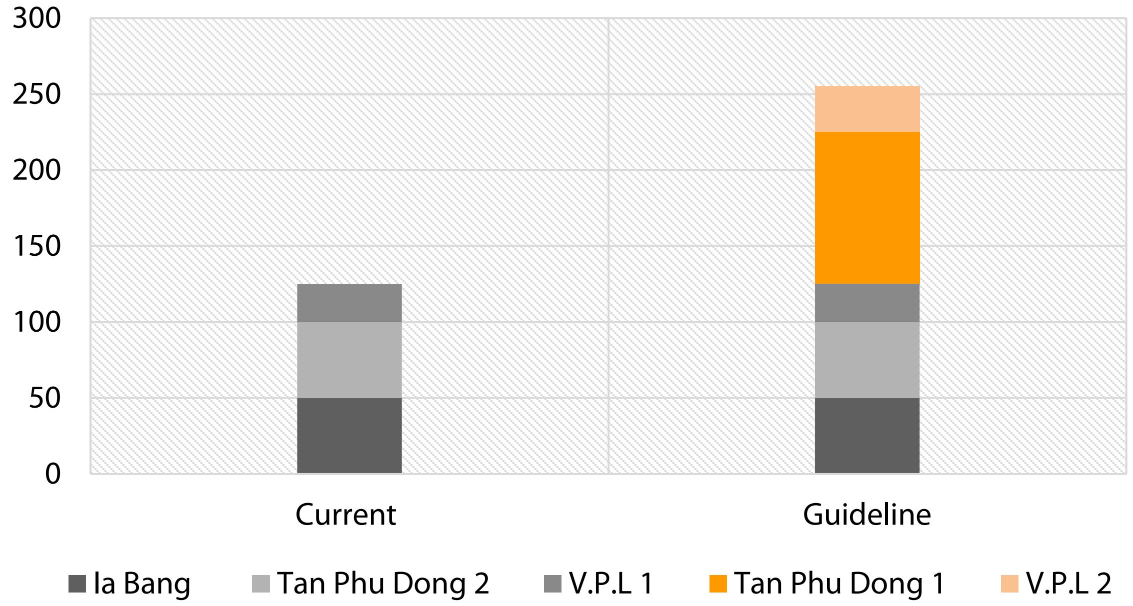
In terms of wind power farms operation, those projects perform well in 1Q and 4Q due to seasonal factors, resulting in high volume and revenue. As a capital-intensive business, depreciation and financial expenses are fixed and account for most of its revenue. Therefore, net earnings from wind power projects are relatively unstable by quarter. Specifically, NPATMI in 1Q doubled compared to that in 2021 while that in 2Q plunged by 54% YoY.

Figure 3: Results (mn kWh)



Source: GEG, RongViet Securities

Figure 4: Wind power projects in GEG's pipeline (MW)



Source: GEG, RongViet Securities

The full- year utilization of wind power farms will boost the company's earnings in 2022. Despite the fluctuation of earnings from wind power by quarter, those projects are going to bolster the company NPATMI by more than 20% YoY in 2022. Revenue and NPATMI are forecasted to be VND 2,116 bn and VND 311 bn (or USD 92 mn and USD 13.5 mn), +46% YoY and +21% YoY), respectively.

Capture wind power opportunities to add more projects to its green portfolio. GEG currently has two potential projects in its pipeline, with total capacity of 130 MW consisting of Tan Phu Dong 1 and V.P.L 2. Notably, Tan Phu Dong 1 project was signed with EVN. This project will be the very first beneficiary if EVN has referential scheme for those that miss the deadline as of Oct 2021. Being an experienced player in the renewable energy market, we foresee that GEG will be able to develop those two projects in the near future, doubling its current capacity in this segment.

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